Problems of Communism

Essay-Reviews

Michael Marrese

Douglas Steinel

Gregg S. Robins

Steven I. Levine

MAY-JUNE 1992

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IS LATIN AMERICA THE FUTURE OF EASTERN EUROPE? A SYMPOSIUM

Melvin Croan, Thomas E. Skidmore, David Ost, Lawrence S. Graham, Eric Hershberg

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Problems of Communism

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COVER: Metalworkers union leader Franz Steinkühler, addresses a Berlin rally in April 1991 protesting unemployment in eastern Germany. Photo by Reuters/Bettmann.

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TO THE READERS OF *PROBLEMS OF COMMUNISM*

From the dark early days of the Cold War to the advent of *perestroyka* and the failed putsch in Moscow last August, *Problems of Communism* delved beneath the headlines to shed light on the closed world of communist systems. With the collapse of communism in Eastern Europe, in the former Soviet Union, and in many other countries around the world, the journal may rightly declare its mission accomplished. This May-June 1992 issue will be the last.

Problems of Communism owed its preeminence to its many contributors. They represented a veritable "Who's Who" of internationally recognized scholars. For two generations, *Problems of Communism* provided original, independent analysis of every major development in the communist world, becoming the "journal of record" in its field. It helped others understand that Western policy toward the communist states was rooted not in prejudice and sheer emotion, but in reason and thorough analysis.

Editors Abe Brumberg, Theodore Frankel, Paul A. Smith Jr. and Wayne Hall were all remarkably adept in guiding *Problems of Communism* through the ebbs and flows of superpower tension and détente. They kept it on course, consistently providing its worldwide audience with readable, timely scholarship of the highest caliber.

This farewell is not a sad one. *Problems of Communism* stands as a model of serious, scholarly analysis for the challenges of the next century. As we turn the page to a new era, we have the satisfaction of understanding how we got there and why. For this we owe *Problems of Communism* a great deal.

HENRY E. CATTO
Director
United States Information Agency
June 1992

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FROM THE EDITORS

The Editors announce the termination of the journal *Problems of Communism,* effective with the current, May-June 1992 issue. It has been a rewarding 40 years of dialogue with a distinguished worldwide community of contributors and readers on the central issue of the postwar decades. We have been honored by the faithfulness with which you have attended our efforts to illuminate the workings of communism and will miss the many fruitful ties we have had with you all in this undertaking. However, when the mounting problems of communism triggered a dramatic collapse of communist governance, it was time for us all to focus on new issues.

The Superintendent of Documents, United States Government Printing Office, will be contacting paying subscribers in the near future regarding your subscription. The editorial office has on hand a fairly comprehensive inventory of back issues running from roughly 1970 on. If you need a selected issue or two, we would be glad to accommodate your request at no charge. Please use the form at the back of the book to send your order directly to us at our editorial offices at 301 Fourth Street SW, Washington, DC, 20547, for receipt no later than August 15.

As we close the book on *Problems of Communism,* we offer a very rich selection of articles on political transitions, particularly the adjustment of societies to postcommunist circumstances. Our apologies to those would-be contributors whose articles arrived too late for inclusion in this last number.

In parting, we would like to reiterate two beliefs that have motivated us and our distinguished predecessors on the masthead of *POC* these four decades. The first is that the battle of ideas is won, not by the shaded fact or outright lie, but by the steady, reasoned presentation of the unembellished truth. This is a lesson not only for the losers but also for the victors. The second is the conviction that, whatever its flaws, democracy remains the best available means for ordering human affairs. As suggested at *POC*'s October 1991 conference, "Toward a Postcommunist World," this alternative will be dramatically tested in the decades ahead in many settings throughout this complex world.

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IN THIS ISSUE OF

Problems of Communism

Articles

Germany After Unification

Daniel Hamilton

Within Germany today there is a growing—but still fragile—consensus that the country must shift from being an importer of security to an exporter of stability. This role, will, however, be difficult to fulfill because of the degree of domestic turbulence wrought by unification.

The Bumpy Road of Czechoslovakia's Velvet Revolution

Otto Ulč

The velvet revolution of November 1989 swept Czechoslovakia's communists from power and ushered in a new democratic era. But democratic Czechoslovakia faces numerous political, social, and economic problems, not the least of which is whether the federation will survive.

The Politics of Transition in Bulgaria: Back to the Future?

Plamen S. Tzvetkov

Bulgaria's transition appears to fit neither the pattern of Central Europe, where the communists were swept from power in 1989 and 1990, nor the pattern of the Balkans, where they managed to hang on to power by changing their image and liberalizing their rule. The source of Bulgarian distinctiveness is the nation's democratic traditions. These traditions will be put to the test as Bulgarians attempt to resolve economic and ethnic minority problems in the years ahead.

Is Latin America the Future of Eastern Europe? A Symposium

Melvin Croan, Thomas E. Skidmore, David Ost, Lawrence S. Graham, and Eric Hershberg

Comparison of issues of political and economic transition in Eastern Europe and in other parts of the world suggests that the effort to accomplish simultaneously these dual tasks faces enormous obstacles. Moreover, political and social conditions in Eastern Europe may not allow for easy transfer of experience from other settings.

Prospects for Democratization in China

Martin King Whyte

Contingency may have played a greater role in the failure of the Beijing spring of 1989 than previously has been acknowledged. If that is the case, there may be plenty of opportunity for historical contingency to operate in determining China's future, perhaps producing a more democratic order in the next round. In short, the absence of meaningful democratization in China is not inevitable and eternal.

Crisis of Authoritarianism in North Africa: The Case of Algeria

John P. Entelis

On the eve of the 21st century, authoritarianism is experiencing a world-wide crisis that has brought into question its legitimacy. In North Africa, particularly Algeria, the strength of democratizing trends shows that the state's ability to shape society has been dealt a devastating blow and that a breakthrough to democracy there is a matter of time.

(Abstracts continued on reverse side)

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Afghanistan and Regional Security After the Cold War

Rasul B. Rais

Soviet withdrawal from Afghanistan eased but did not eliminate issues of regional security. Pakistan, India, Iran, and Soviet successor-states in Central Asia all must work out new relations, a task complicated by the complexities of factional and ethnic politics in post-Najibullah Kabul.

Communism at the Crossroads: Changing Roles in Western Democracies

Frank L. Wilson

None of the various options open to communist parties in the West seems a very promising response to their current crisis. This weakening of communist parties is not, however, necessarily a good thing for Western democracies. As radical Right parties emerge, the world may come to regret the passing from the political scene of the "tame" communist parties of the 1970's and 1980's that were able to absorb and direct social unrest in Western Europe into productive and democratic modes of action.

Private Farming and Agrarian Reform in Russia

Stephen K. Wegren

Russia's current experiment with private farming seems bogged down in bureaucratic obstacles and heavy start-up costs. The bulk of the new farmers are city dwellers taking up farming activities on less-than-optimal lands, with predictably less-than-optimal results in terms of output and productivity.

Essay-Reviews

Hungary's Economic Transformation

Michael Marrese

From 1964 to 1988, Hungarian attempts to find a "third way" between central planning and the market caught the attention of the West. Although Hungary's earlier attempts at reform did not enable it to increase efficiency dramatically or to become integrated into the world economy, they contributed to the development there of a set of attitudes and an institutional infrastructure more congenial to economic transformation than in most other countries of Eastern Europe.

Transitions to Democracy and Markets: The Long Road Ahead

Douglas Steinel

Transitions to democracy in contemporary Eastern Europe differ from previous transitions in that these countries are attempting to create a democracy and a market economy simultaneously. Because of the complexity and demands of the two efforts, many countries will not be successful in constructing a market economy and building a democratic order.

The Soviet Economy and the *Perestroyka* Years

Gregg S. Robins

The economic literature on the *perestroyka* period offers more than a glimpse of recent history. This literature provides a perspective on the current situation in Russia and the other Soviet successor-states, and it encourages analysts to take a more critical approach when suggesting remedies to the economic problems left in the wake of the Soviet Union's collapse.

China's Global Role

Steven I. Levine

The transformation of the global landscape since 1989 raises the fundamental question of what role or roles China will play in the post–cold war world. Although it would seem foolish to expect the imminent collapse of Chinese communism on the model of either Eastern Europe or the Soviet Union, the system no longer seems immutable or eternal. One must begin to consider the global implications of the rule of a modern-minded, nationalist elite.

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Germany After Unification

Daniel Hamilton

Much of the drama of European and world history has derived from the changing nature of Central Europe. World War II destroyed the European center as an independent political force; nations on the European periphery—the United States and the Soviet Union—emerged as the predominant global and European powers. During the cold war, the nations of the European center assumed a position of secondary importance as Europe's eastern and western peripheries became the centers of opposing alliances. The revolutions of 1989 and the end of the Soviet Union have re-established the nations of the European center as subjects, rather than as objects, of world politics. Germany, the major nation of the European center, is once again the fulcrum of Europe.

United Germany stands as a prime beneficiary of the end of the cold war. The end of the division of Germany and Europe and the dissolution of the Soviet Union have ushered in an era of transition in which Germans, east and west, are engaged in a fundamental reexamination of their national interests and commitments in a radically transformed world. This reexamination is influenced by significant changes taking place in the German domestic and foreign policy spheres.

While the Germans are now one people in a constitutional sense, they are far from being unified economically, socially, and emotionally. It will take more than a decade before a comparable living standard among Germans, which is postulated in the constitution, is achieved between east and west, and at least a generation before the mental barriers dissipate between east and west. Even the political system is in flux as internal alliances shift in response to the changing landscape. The decision to move the government and parliament from Bonn to Berlin, and the challenges to Germany's federal system presented by its expansion from 11 to 16 states add to the sense of disorientation. In short, Germany's domestic policy will be less settled and predictable than the one to which Germany's neighbors and allies—and the Germans themselves—had grown accustomed over 40 years. In the month of April 1992 alone, Germany was rocked by its first public employees' strike in 18 years, which crippled services and paralyzed cities; angry voter rejection of the established parties and a stunning show of support for two extreme right-wing parties in two bellwether state elections; and the surprise resignation, after 18 years in office, of Minister of Foreign Affairs and Vice-Chancellor Hans-Dietrich Genscher, the country's most popular politician and the personification of a certain style and substance of German foreign policy that may be eclipsed by the challenges of a new age.

Efforts to deepen West European integration, consolidate political and economic reforms in Eastern Europe and the Soviet successor-states, devise a just and stable European security framework, and sustain an open global system of trade and finance will turn on German action or German inaction much more than before. But along with this enhanced weight has come enhanced responsibility. Many neighboring countries

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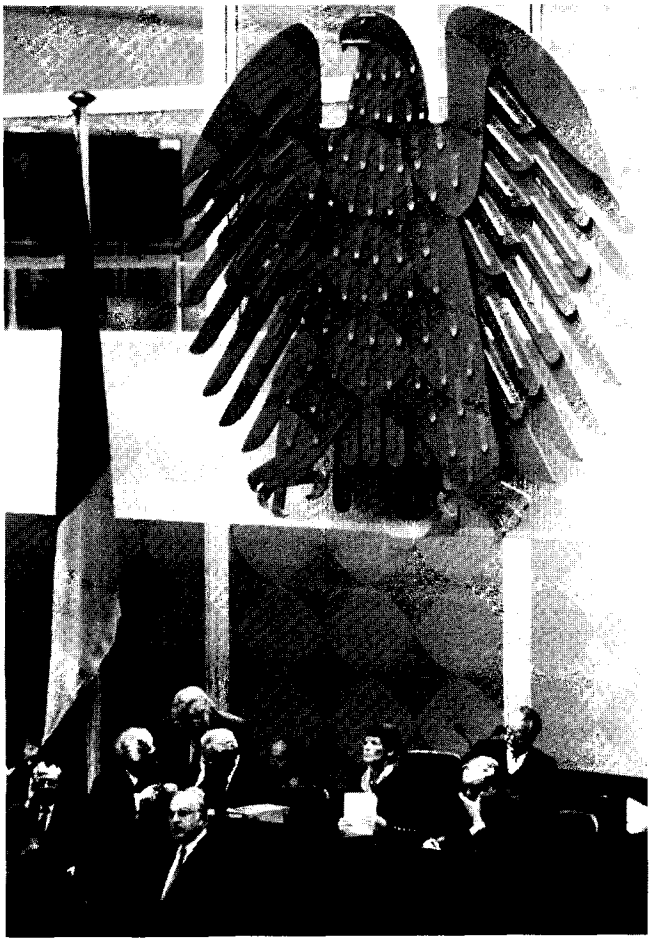

German Chancellor Helmut Kohl addresses the first united German parliament in the Berlin Reichstag on October 4, 1990.

—Reuters/Bettmann.

now expect Germany, as Europe's central power, to shoulder considerable burdens of adjustment to new European and global arrangements. The Russians expect their support for unification to be repaid with greater economic assistance and a new special relationship;[1] East European reformers expect aid, blueprints for economic and social modernization, and support for their efforts to join the European Community; West European partners expect Germany to underwrite the drive toward deeper European integration; and Americans press the Germans to shoulder greater global responsibilities as "partners in leadership." The historical fear of being dominated by the Germans coexists uneasily with the even greater contemporary fear of being neglected by German capital and German elites.

In important ways, German leaders have sought to respond to these fears. Yet the concern on the Rhine and the Spree is less the possibility of aggressive *Machtpolitik* than of overstretch. United Germany may have no enemies, but it may have too many needy friends. Both the German public and the German political class fear a Germany that can't say *nein,* one so overburdened by commitments that it falls on its face. At the same time, there is broad consensus among the German political class on the need to consolidate democracy, social market economies, and arms reductions east of the Elbe. Germany's unsettled domestic condition and the turbulence of post-Soviet Europe are particularly frustrating to those west German elites for whom calculability, solvency, and stability had been the watchwords of postwar success.

As united Germany's domestic and foreign policy profile emerges, deep continuities bind it closely to the highly successful political, social, and economic structures of the former West Germany. The Federal Republic of Germany is likely to remain a strong democracy wedded to a robust capitalist system underpinned by a deep and generous social-welfare system. Yet the Federal Republic's center of gravity is shifting eastward and northward while its internal political alliances and allegiances are becoming somewhat more fluid. It has become more Protestant, more self-confident, and more expressly German. A number of friendly, democratic, yet fragile, eastern neighbors now border on Germany, but the continent as a whole, while freer, is more tempestuous. New divisions have appeared to replace those that have faded away.

As a result of these changes, new accents are being set, new and mixed signals are being given. Germany's debate about its future role is more open to the influence of friends, neighbors, and events than generally believed, and more open-ended than generally acknowledged. This essay reviews Germany's twin preoccupations since unification: consolidating domestic unity and establishing a new framework for European stability.

The Challenge of Economic Unification

The Germans are more preoccupied with their domestic condition than at any time since they faced rebuilding their devastated and defeated country following World War II. The euphoria accompanying the opening of the Berlin Wall has given way to a more sober accounting of the investment costs required by unification, estimated at more than US$600 billion over

[1]One can imagine what went through German minds when Boris Yel'tsin, speaking to German businessmen on his visit to Bonn in November 1991, said he had one request: "Please occupy us."

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A striking employee of west Berlin's transport service looks out at empty transit rails. The sign reads: "We Are Striking for the Attainment of Our Just Demands."

—Reuters/Bettmann.

the course of the decade. Having defined the internal and external terms of unification during 1990, the Germans now face the historic challenge of consolidating their inner unification. How and when this can be achieved will depend on how quickly the east German economy can be turned around to create self-sustaining growth without tilting the entire economy into recession or fueling inflation. Although the economic revival of eastern Germany presents overwhelming short-term challenges, given the twin social pressures of widespread unemployment and of the drive for almost instant equalization of living standards between east and west, it also provides enormous long-term opportunities.

The challenge of east German economic resuscitation has dominated public debate in Germany and has consumed the energies of the nation's elites. The government woefully underestimated the costs of unification. It was slow to raise taxes, remains reluctant to cut down wasteful subsidies in western Germany, and has overextended itself financially to underwrite the massive costs of restoring east German economic health. As German Minister of Defense Volker Ruehe has acknowledged, unification is not a sprint but a marathon, but this marathon is taking place at the speed of a sprint.[2]

Eastern Germany is in the throes of a painful shakeout. Since the Berlin Wall opened in 1989, every second job in eastern Germany has been lost.[3] Unemployment and underemployment are likely to hover around 30–40 percent of the work force, wage hikes continue to outstrip productivity increases, investment has been slug-

[2]Remarks at a meeting of the Konrad Adenauer Foundation, Washington, DC, March 3, 1992. The recent German interest-rate rise to the highest level in 60 years, the day before the US Federal Reserve significantly lowered its rates, must be seen in this context. It was not so much a sign of "muscle-flexing" as of a worried Bundesbank trying to counter the inflationary danger of what was perceived to be a weak fiscal policy. It was also a sign of German preoccupation with perceived domestic ills to the exclusion of their broader international implications.

[3]See "Drastic Job Losses in Eastern Germany," *Süddeutsche Zeitung* (Munich), Apr. 10, 1992

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gish, and property issues remain contentious. While industrial production in western Germany grew by 3.2 percent in 1991, east German production shrank by more than 50 percent. Whereas German GNP in 1991 reached 2.8 trillion DM, only 193 billion DM—6.9 percent—came from eastern Germany, even though this area accounts for 20 percent of Germany's population. Average monthly gross earnings in the west in 1991 totaled 3,750 DM, more than double the average of 1,660 DM in the east. Nonetheless, average east German income has risen rapidly since 1989. This is based less on the economic strength of the new states, however, than on the 150 billion DM in government transfer payments flowing into the area in 1991.[4] Reconstruction will continue to require massive amounts of public transfers. Since other services have only been trimmed slightly, the increased expenditures are being financed not only by higher taxes and increased mandatory contributions to the German social insurance systems, but also by heavy public-sector borrowing on the capital markets. As a result of this influx of public funds, Germany's budget deficit swelled to over 4 percent of GNP in 1991.[5] The Federal Republic's debt was the highest in its history, almost double the 1990 level. Consequently, Germany needs all its domestic capital resources and will even need to import funds. This is crucial reversal of Germany's position as a capital exporter at a time when the world is heading toward a period of high demand for capital investment and a rapidly diminishing pool of savings to finance that investment.[6]

In January 1991, more than 3 million Germans were unemployed, the highest level since unification. This translates into an unemployment rate in the west of 7 percent and in the east of 16.5 percent. Moreover, the true extent of unemployment and underemployment is not reflected in official statistics because some groups of marginally employed or unemployed persons are not considered in the labor pool. For example, there were over 500,000 people on "short-time" work, often a euphemism for no work at all; 400,000 involved in limited job-creation schemes (*Arbeitsbeschaffungsmassnahmen*); 750,000 who retired early; untold thousands in retraining programs; roughly 450,000 workers who commute to western Germany; and a tendency for women to leave the work force as child-care arrangements and other family services provided by the communist state, together with jobs, dry up.[7]

If, however, one peers through the mists of German gloom, clear signs of an impending revival are apparent. The east German economy finally bottomed out in 1991, and by the second half of 1992, the area between the Elbe and the Oder is likely to be Europe's fastest-growing region, with growth rates of 10–15 percent. The economic free fall occasioned by eastern Germany's cold-turkey switch to a market economy in July 1990 has been stopped, but even such high growth rates will raise eastern Germany's share in total German production by only 1 percent.[8] Many obstacles to sustained high economic growth in the east remain, including the need to privatize, restructure, or close old communist enterprises; unwillingness to break the iron triangle of higher wages, low productivity, and greater taxes; unresolved property disputes; ghastly environmental degradation; and sluggish international demand for German exports as a result of the current recession.

The *Treuhandanstalt,* the world's largest holding company, is charged with overcoming the first obstacle; it is responsible for restructuring, privatizing, or closing thousands of firms previously owned by the GDR government. After an inauspicious beginning, marked by the murder of its dynamic chief Detlev Rohwedder, the *Treuhand* is now moving briskly under the leadership of Birgit Breul, a former CDU economics minister in Lower Saxony. Mrs. Breul is intent on wrapping up the *Treuhand's* mission by 1993, one year earlier than expected. The *Treuhand* has sold over 7,000 companies, 7,000 properties and more than 27,000 acres of farmland. It is still trying to unload or shut down 4,800 additional firms. However, the competing goals

[4]Economic production in eastern Germany in 1991 did not even cover east German private consumption, which totaled 196 billion DM. See the Deutsche Bank report, "Unification Issues: Sector by Sector Forecast for German Industry in 1992," January 1992. The average monthly income in eastern Germany is 1,845 DM, compared to the EC average of 1,140 DM. See *Süddeutsche Zeitung,* Nov. 18, 1991.

[5]The public-sector deficit of 108 billion DM was smaller than expected, but much higher than the 75 billion DM deficit recorded in 1990. The Bundesbank predicts a larger deficit again in 1992, sparked in particular by a swing in social insurance payments, which recorded a surplus of 13 billion DM in 1991, toward a deficit of approximately 15 billion DM. See Deutsche Bundesbank, *Jahresbericht 1991* (1991 Report); "The Budget Deficit in 1991 Is Smaller Than Expected," *Frankfurter Allgemeine Zeitung* (Frankfurt/Main), Apr. 10, 1992.

[6]*Der Tagesspiegel* (Berlin), Jan. 16, 1992. In 1991, Germany had a 20.8 billion DM trade surplus, and a current-account deficit of 34.2 billion DM. Even though eastern Germany was only responsible for 2.3 percent of Germany's total foreign trade, eastern Germany contributed nearly one-third (6.7 billion DM) of the total trade surplus. The west German surplus fell dramatically to 14.1 billion DM from 92.1 billion in 1990. See *Frankfurter Allgemeine Zeitung,* Feb. 19, 1992.

[7]For a skeptical assessment of east German economic progress since unification, see Peter Christ, "The East Writes Red," *Die Zeit* (Hamburg), Mar. 6, 1992; Also *Frankfurter Allgemeine Zeitung,* Jan. 10 and Feb. 6, 1992. Since German economic and monetary union on July 1, 1990, a reported 240,000 east Germans have moved to the west. See *Der Tagesspiegel,* Jan. 16, 1992.

[8]Deutsche Bank Economics Department, "Unification Issues: Sector by Sector Forecast for German Industry in 1992," January 1992.

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inherent in its mandate—restructuring versus privatization—together with continued public criticism and the lack of east German companies with salable products, continue to hamper progress.[9]

A second obstacle is the iron triangle of wages, productivity, and taxes. Recent wage settlements have provided east German workers with 60 percent or more of the wage levels in western Germany, even though their productivity is roughly one-third that of western levels.[10] The drive for wage equalization has destroyed the competitiveness of eastern industries by negating any productivity gains achieved through new investment, and thus has discouraged new private investment. Simultaneously, tax hikes to pay for unification have reversed almost all the gains workers had made from the 1991 wage settlements and thus have fueled new demands for higher wages.

Unresolved property disputes also continue to hinder investment in eastern Germany. The Bundestag is reassessing the 1990 treaty with the former Soviet Union that prevents previous owners from regaining property expropriated by Moscow during the occupation period between 1945 and 1949. The government is also seeking to tighten laws on the dispensation of properties seized by the Third Reich between 1933 and 1945 and by the GDR after 1949. These properties, mostly factories, businesses, and homes, were covered by a March 1991 law that gave investors priority over former owners to receive sale proceeds. Officials have received 1.2 million applications representing more than 2 million claims for return of property, yet as of January, only 67,000 cases had been processed. It is likely to take a decade before property issues are untangled.[11]

A January 1990 photograph depicts the city of Leipzig, eastern Germany, shrouded in pollution.

—Reuters/Bettmann.

Another obstacle is the ecological squalor of eastern Germany—one of the most tragic legacies of Stalinist socialism. Massive long-term investment will be necessary to bring east German environmental standards up to tolerable levels—investment that will have to be diverted from other areas of the economy. Two examples should suffice to indicate the scope of the challenge. Simply cleaning the drinking water supply, 60 percent of which is deemed unfit to drink by the European Community (EC), could take 25 years and cost 30 billion DM.[12] In addition, the Soviet military is leaving behind nearly all the uranium wastes produced by East Germany under Soviet nuclear-weapons and energy programs since World War II. For decades, underground uranium processing facilities pumped unsealed radioactive slurry into two large man-made lakes near the

[9]Ibid.

[10]A simple comparison of the negotiated hourly wage rates results in a somewhat skewed picture due to the disparity in hours worked and the more attractive fringe benefits in western Germany. Ullrich Heilemann has calculated that wages in the east German metal industry, for example, effectively reach only 40 percent of the west German level, as compared to 63 percent of the monthly basic wage income. See Ullrich Heilemann, "The Economics of German Unification Reconsidered," *Intereconomics* (Hamburg), November/December 1991, p. 302.

[11]Under the March 1991 law, introduced to regulate unresolved property questions, a claimant can decide for compensation instead of restitution. However, the degree of compensation was left open. The Federal Constitutional Court also decided in April 1991 that some degree of compensation was due those with property expropriated during the period 1945–49. These formulations have left matters in a muddle. Kurt Biedenkopf, the CDU minister president of Saxony, criticized the established principle of "restitution before compensation" as a "major mistake in the German unification process." See *Frankfurter Allgemeine Zeitung*, Jan. 15, 1992; ibid., Mar. 11, 1992; *The Wall Street Journal* (New York), Jan. 9, 1992; *Frankfurter Allgemeine Zeitung*, Jan. 24, 1992; *Süddeutsche Zeitung*, Nov. 21, 1991; and "Restitution Before Compensation—Scholz Is Concerned About the Possible Change in This Order," *Frankfurter Allgemeine Zeitung*, Jan. 23, 1992.

[12]See "30 Billion for Water Purification," *Süddeutsche Zeitung*, Mar. 1, 1992; "Beware the Drinking Water!" *Die Zeit*, Feb. 21, 1992; "Bitterfeld Is Different," ibid., Sept. 27, 1991; Holger Douglas and Thomas Kleine-Brockhoff, "Hot Legacy of the Cold War," *German Comments* (St. Augustin), Konrad Adenauer Foundation, October 1991, pp. 68–78; "Purification of Contaminated Drinking Water Will Take 100 Years," *Süddeutsche Zeitung*, Mar. 4, 1992.

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towns of Oberrothenbach and Selingstadt, located in the middle of Saxony's densely populated industrial heartland. The smaller lake alone harbors radioactive waste 250 times the entire volume of low- and medium-level nuclear waste that the FRG's nuclear energy industry will have produced by the year 2000. Cleaning up these processing facilities will cost 15–20 billion DM. These are only two of the more vivid examples of a staggering challenge.

In fact, the primary reason why the environmental situation has improved in eastern Germany since unification is not the introduction of environmental policies but rather the collapse of east German industry. The immediate problems of economic resuscitation and the huge costs associated with environmental cleanup will almost certainly delay the government's goal of phasing in very rigorous west German environmental regulations by 1996.

The slackening of economic growth in western Germany due to the weakening east German consumer boom and sluggish international demand for German exports presents yet another obstacle to sustained high economic growth. Initially, eastern Germany's huge appetite for consumer goods following economic and monetary union touched off a boom in consumption. West German production traditionally directed to exports was rechanneled to meet the surge of demand in the east. Imports began pouring into eastern Germany. This boom has now given way to a mild recession, sending Germany's current-account balance into the red for the first time in a decade and erasing more than 80 percent of its trade surplus. At the same time, Germany's export-oriented economy has been hit hard by recession in other major economies, diminished domestic consumption, huge overseas payments, and a steep rise in interest rates. In addition, Germany made huge financial transfers, including payments of more than 30 billion DM, or $18.5 billion, to the Allied powers in the Gulf war and to the EC. These factors pushed Germany's current account from a surplus of 77.4 billion DM, or $47.7 billion, in 1990, to a deficit of 34.2 billion DM, or $21 billion, in 1991. Germany's traditional trade surplus plunged to 20.8 billion DM, or $12.8 billion, in 1991, from 107.4 billion DM, or $66.2 billion in 1990.[13]

Within the year, eastern Germany appears likely to enter a stage of sustained growth, albeit from a low level. But recovery is likely to be uneven among sectors of the economy and will probably run along north-south rather than east-west lines. As the once-monolithic command economy dissolves, pockets of relative prosperity and poverty will emerge.

In general terms, prospects for economic revival vary according to three main regions in the former GDR. The southern belt—the old industrial heartland of this part of Germany, including Saxony, Thuringia, and parts of Sachsen-Anhalt—appears to have the brightest prospects. Although the ecological devastation is most apparent in this area, it is also where most of the investment is now flowing, and where economic recovery is most likely to develop a regional export base.

Economic revival is likely to prove most difficult in the northern belt of eastern Germany, which includes Mecklenburg-Vorpommen, a highly agricultural area that has also been dependent on the now-obsolete East German shipbuilding industry.[14] Consolidation of eastern Germany's woefully inefficient agricultural sector is likely to slash agricultural employment in Mecklenburg-Vorpommen from 800,000 to roughly 100,000. Over time, the concerns and competitive challenges of Mecklenburg-Vorpommen are more likely to resemble those of the northern states of western Germany, such as Schleswig-Holstein and Lower Saxony, while the main economic issues of concern to Saxony and Thuringia are more likely to resemble those of Bavaria, Hesse, and Baden-Württemberg.

The fortunes of those living in the middle belt, which encompasses Berlin, Brandenburg, and parts of Sachsen-Anhalt, will be tied to the fortunes of Berlin. In the long run, no area of Germany is likely to profit as much from unity as Berlin, but in the short run, no area is paying as dearly for unity. Berlin has turned into a boomtown of uneven proportions. On the one hand, the city is reemerging as Europe's center of gravity, a huge, vibrant, frenetic metropolis that not only links but embodies both East and West—a magnet for people, money, and power. On the other hand, the end to the massive subsidies paid to West Berlin by the federal government during the cold war is also causing companies to leave the city.[15] In addition, in 1995 Berlin, as one of the original western *Länder,* will take over a share of the DM 50 billion in public debt inherited from the former East German government. There are, however, offsetting gains, including federal help for the government's

[13]Ferdinand Protzman, "Germany Reports Current-Account Deficit," *The New York Times*, Feb. 19, 1992.

[14]The disastrous situation in the shipbuilding industry in Mecklenburg-Vorpommern unleashed a wave of strikes, sparked a state government crisis, toppled the minister president of the state, and attracted the concern of European Community authorities, who threatened to withhold adjustment subsidies until a plausible restructuring concept was submitted by the German government.

[15]Subsidies, which included bonuses for employees, totaled 9 billion DM in 1990. The 8 percent personal-income-tax break for Berliners will be phased out by 1995, as will tax holidays for companies. Federal payments for Berlin also will be cut.

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move, private sector jobs and investment, and multifaceted programs to raise eastern Germany to western standards. Investment, trade, construction, and rents are booming.

Berlin still consists of two societies. Easterners earn half what westerners do, and unemployment in the east is three times that in the west.[16] Forty percent of all jobs in east Berlin have been lost. Berlin's fortunes will also be tied to those of surrounding Brandenburg, one of eastern Germany's poorer regions. Berliners worry that they will lose tax revenues to what is quickly becoming their commuter belt, and thus want to transform Berlin and Brandenburg into a single state, which is likely to occur by 1997.

The Wall in the Head

Beyond the economic tensions engendered by eastern Germany's overnight switch from communism to capitalism lies a much deeper emotional and psychological divide between Germans whose material and spiritual experiences have been distinct for 40 years. Breaking down this inner-German wall—what the Germans call "*die Mauer im Kopf*" ("the wall in the head")—will absorb German energies and attention for decades.

After the opening of the Berlin Wall, the east German call for unification quickly took on an urgent, desperate character. Faced with the relentless exodus of tens of thousands of fellow citizens, a crumbling economy, a catastrophic health-care situation, daily revelations of the Old Guard's systematic abuse of power, and the absence of any credible indigenous democratic leadership, east Germans turned en masse to unification as the road to salvation.[17]

Two years after monetary union, many of these same east Germans may feel they have landed in purgatory —not heaven. Many have been traumatized by *Wendekrankheit,* turn-about illness, an identity crisis prompted by the cold-turkey switch from socialism to capitalism. This has been compounded by the nature of unification itself, which has left many east Germans feeling that their fate does not rest in their own hands. Other East European revolutions brought indigenous revolutionaries to power to assume command over their national destinies, but in eastern Germany, opposition figures who rode the wave of popular revolt were quickly brought down in the final thundering crash of unification that left west Germans in command of east Germany's destiny. Sudden and wrenching changes, including high rents and energy costs, unemployment, job competition, and loss of some social benefits have elicited an array of contrary and confusing emotions. Many east Germans wage a constant personal battle between gratitude and bitterness, between the desire to "Test the West"—as a popular cigarette ad goes—and the need to retain the familiar, all amidst strong feelings of having become second- or even third-class citizens. Friedrich Schorlemmer, one of the most significant members of the former east German opposition, has captured these contradictory emotions well:

The old fear is gone, but new fears have arrived. The old masters are gone, but the new ones are just as heartless. We are now confronted with a success-oriented society that believes it can neglect its own deformations due to the failure of the other system. The message is: Learn! Conform! Work! Be Grateful![18]

In addition to undergoing a painful economic passage in a new and alien world, east Germans find themselves having to come to terms with their Stalinist past in a larger German framework together with other Germans who do not share their understanding of the repressive state within which they were forced to arrange their lives. The decision of the Bundestag in late 1991 to open the Stasi secret police archives has caused untold personal anguish and unleashed a torrent of recrimination as former Stasi victims discover that their colleagues, friends, even spouses and children, were informers for the secret police. Moreover, while low-level informers and officials are humiliated, the former leaders of the GDR seem to be beyond reach of the law. Former GDR chief Erich Honecker is in exile in Moscow, while other former communist leaders have escaped prosecution or have stood trial for minor crimes. Meanwhile, a steady stream of charges, prompted in part by motives of narrow political advantage, is being leveled at a number of current political leaders who came from the former GDR.

These deep social and emotional wounds have been allowed to fester in part because the challenge of German unity has never been presented as a national task. Chancellor Helmut Kohl's basic message has been that

[16]For a brief English-language summary, see "The Capital-Builders," *The Economist* (London), Nov. 9, 1991.

[17]For background, see Daniel Hamilton, *After the Revolution: The New Political Landscape in East Germany*, Washington, DC, American Institute of Contemporary German Studies, Johns Hopkins University, 1990; and idem., " 'Unification as Salvation' Drives Europe's New Order," *Los Angeles Times*, Feb. 7, 1990.

[18]Cited in Peter Christ and Raaz Neubauer, *Kolonie im eigenem Land* (A Colony in Their Own Country), Berlin, Rowohlt, 1991, p. 212.

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all would profit, none would suffer from unity. As a result, many Germans are unwilling to make the sacrifices necessary to meet the challenge of an unprecedented opportunity: the unification of the nation in peace and freedom and with the support of all of Germany's neighbors. The very real achievements that have been recorded have been overshadowed by the fear of unemployment in the east and resentment at the cost of unification in the west. Most west Germans remain unwilling to shoulder the fresh burdens arising from the desire of east Germans to accede quickly to west German living standards.

The New Political Landscape

Surprisingly, unification initially served to consolidate rather than challenge the prevailing political party spectrum in western Germany. During the rapid march toward unification in early 1990, the powerful West German political machine dominated the scene. Fledgling political movements in eastern Germany were forced to align themselves along the political spectrum of western Germany as the major western parties invested massive amounts of personnel, wealth, and ideas first in March 1990—the first democratic elections in eastern Germany since 1932—and then in a battle to decide which all-German party alliance would shape and then govern a united Germany following the all-German election in December 1990. The big winner was the coalition of Christian Democrats and Free Democrats led by Chancellor Helmut Kohl and foreign minister Hans-Dietrich Genscher.

Not since Konrad Adenauer was at the height of his power has a CDU leader been so unchallenged within his party as Helmut Kohl is today. Fading in the polls in 1989, Kohl brilliantly engineered the process of unification in such a way as to ensure his own reelection. Along the way, Kohl has elbowed aside any potential challengers within the party. On the surface, Kohl's unrivaled mastery of the party apparatus and the windfall of unification appear to have converted the CDU into a "chancellor's party." But the deeper currents of unification are changing the nature of the CDU. This is most evident in the absorption of the east German CDU into the now all-German party.

For 40 years, the East German Christian Democratic Union (East CDU) had been the largest of the collaborationist "bloc" parties associated with the communists. The East CDU's position in the East German state limited any contacts with the Christian Social Union (CSU), the West CDU's more conservative cousin in Bavaria. As the Wall crumbled and communist authority collapsed, the West CDU remained wary of associating itself with its Eastern "counterparts," due to the East CDU's tarnished past, yet it was eager to establish a working partnership with conservative forces in the GDR. Finally, it opted to support the Alliance for Germany, which included the East CDU as well as two smaller opposition parties, Democratic Awakening and the German Social Union. As former East CDU leader Lothar de Maiziere acknowledged, the result was a "marriage for reasons other than love."

The East CDU quickly fell under the shadow of the West CDU electoral machine. The East CDU aligned itself with West CDU party positions and first and foremost with the persona of Chancellor Kohl, whose promises of quick unification became the focus of the West CDU's successful campaign effort.

Kohl's strong position in unified Germany belies deeper problems within the party. Since its triumph in the east German elections in March 1990 and the first all-German elections in December 1990, the party has been engaged in a bitter debate over the East CDU's past. The party has also been divided by the stubborn attempts of old functionaries to defend their position against new and younger leaders determined to ditch officials who kowtowed to the communists but still have influential jobs. The CDU has little fresh, young talent to offer at the top, and the results of regional elections have been abysmal for several years. During the spring of 1991, the CDU suffered reverses in three straight Landtag elections, including one in Kohl's home state of Rhineland-Palatinate; in April 1992, the CDU lost its 20-year lock on power in Baden-Württemberg.

As a result, the CDU's electability in the five eastern states has become critical, for while the CDU's membership remains centered in the west (660,000, compared to 80–90,000 in the east), its political base has shifted to its control of state legislatures in the east. At the same time, the party is losing members in both parts of Germany. Party membership in western Germany has slumped by nearly 80,000 from a peak of 738,000 in 1984. Even in the east, about one-fifth of the 20,000 new members who joined in the year of unification have since left the party.[19] In addition, the CDU's strong liberal and Catholic wing—rooted in the west and southwest—is likely to be counterbalanced by a more northern and largely Protestant wing. The old north-south divide between Catholics and Protestants, which had been bridged by Konrad Adenauer and the CDU in the old Federal Republic, could be opened up again. This could further aggravate tensions with the

[19] *The Economist*, Sept. 7, 1991.

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CSU, which occasionally flirts with the temptation to expand beyond its Bavarian base.

Unification has also changed the role of the Social Democratic Party (SPD) in German politics. In the 1990 election, the SPD won 35.7 percent of the vote, its worst result since 1957. In eastern Germany, the SPD obtained only 24.3 percent—a clear indication that the SPD failed to recapture its prewar constituents in such working-class heartlands as Thuringia and Saxony. With 900,000 members in the west and only 30,000 in the east (one-third the number of east Germans in the tiny FDP), the SPD has been unable to establish a significant or credible political base in the area. During the crucial year of unity, the SPD failed to present a credible approach to the unification process.[20]

The SPD's strength lies in the federal states, or *Länder*. They rule alone or participate in governing coalitions in 12 of the 16 states. In the second chamber of the parliament, the Bundesrat, which represents the interests of the *Länder*, the SPD holds a majority and thus conceivably could block important legislation. But a simple arithmetic approach to German politics belies the heterogeneous interests of the *Länder* and the growing tensions between the interests of the states and those of the federal party in the wake of unification. The SPD party leadership, for example, tried to capitalize on Chancellor Kohl's reversal on taxes, by making the "tax lie" a symbol of Bonn's failures, in part to compensate for the irresolute and indecisive position the SPD itself has shown in its approach to unity. Yet, the SPD's veto strategy broke apart on the hard rock of state interests, since the *Länder* stand to receive a nice share of the increased revenue. After the SPD government of Brandenburg tipped the scales in favor of the government coalition, the Bundesrat voted for an increase in the value-added tax from 14 to 15 percent effective January 1, 1993.[21]

The tax battle also exposed cleavages in the SPD among the fractious and unsettled new generation of leaders that has emerged with unification. The new SPD leadership triumvirate includes a cool northerner as party chairman, Minister-President of Schleswig-Holstein Bjorn Engholm, Hans-Ulrich Klose of Hamburg as the SPD party leader in the Bundestag, and Oscar Lafontaine, the minister president of the Saarland and the party's candidate for chancellor in the election campaign of 1990. None seems particularly anxious or able to challenge Kohl in 1994.

No party has changed as much as a result of unification as the small Free Democratic Party (FDP), which—through its tactic of switching coalition partners—has held the balance of power in German political life for over 30 years. The merger between the West German FDP and the East German Federation of Free Democrats of the GDR, itself composed of two former East German bloc parties, tripled the party's membership. The FDP is the only former West German party that now boasts more members in the east (88,000) than in the west (67,000). As a result, the party shows signs of shifting away from its rigid adherence to the market, robust individualism, and on insistence on an end to the vast German network of subsidies, toward a brand of liberalism that is tied to an awakening east German *Mittelstand* and is antibureaucratic, but still bound to deep traditions of social welfare. The FDP is, in fact, already leaning more toward the SPD and away from its coalition partners on issues such as abortion, legal reform, immigration, and finance policy. The resignation of Genscher, the party's popular standard-bearer, and the impending departure of party chairman Otto Graf Lambsdorff have left a vacuum of leadership in the party that is only partially filled by such emerging stars as new Minister of Foreign Affairs Klaus Kinkel and Minister of the Economy and likely future party Chairman Jürgen Möllemann. In the wake of these changes in personality and political perspective, both an FDP failure to win the 5 percent of the popular vote necessary to gain seats in parliament and a switch of members back to the SPD are quite conceivable. A further possibility, given Germany's mounting problems, is a CDU-SPD Grand Coalition that would cast the tiny FDP into an unaccustomed and uncomfortable role of opposition.[22]

Unification has also had a dramatic impact on the fringe parties. The first all-German election took place in a new party-political landscape and was governed by special one-time electoral rules. The 5 percent hurdle was applied separately in east and west Germany. As a result of this special arrangement, which was introduced to give the east German parties an equal opportunity to be represented in the German political debate, the Party of Democratic Socialism (PDS), the successor to the east German communist party, gained 17 seats in the Bundestag even though its share of votes in Germany as a whole was only 2.4 percent. Its stronghold is in the east German states, where the party received

[20]For an interesting perspective, see Eckhard Fuhr, "With Eastern Guts," *Frankfurter Allgemeine Zeitung*, Nov. 12, 1991.

[21]In order to meet the mounting costs of unification, increased wage demands, and rising inflation, Bonn hiked energy and insurance taxes, and slapped on a 7.5 percent income tax surcharge on July 1, reversing Kohl's pre–December 1990 election pledge not to raise taxes, and erasing almost all the gains workers had made from wage settlements in early 1991. This so-called "unification tax" expires in mid-1992.

[22]For a brief background, see *The Economist*, Nov. 9, 1991.

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11.1 percent; in western Germany the party obtained an insignificant 0.3 percent. Party membership has fallen dramatically to 185,000 from 2.4 million in 1989. Once the special electoral arrangement is dropped at the next national election, it is doubtful that the PDS, which has been rocked by a relentless series of financial scandals and remains under the dark shadow of the past, will survive in parliament.

The pioneers of European environmental politics, the Greens, received only 4.8 percent of the vote in the 1990 election and thus lost all their 48 seats in parliament. Although their disastrous showing was due in part to the fact that environmental concerns have been incorporated in all the major party platforms, the Greens suffered above all for their deep and tedious internal divisions and their inability to define a coherent position toward unity. The Green defeat was especially ignominious because eight members of the east German Alliance 90, the alliance of the former east German opposition groups, were elected to the Bundestag through the dual system created for the 1990 election.[23] Since this system was a one-time-only affair, neither the Greens nor the Alliance 90 are likely to be represented in the next Bundestag unless they join forces. Whereas the west German Greens were reluctant to merge in 1990, the east German Alliance 90 has been wary of a merger for fear that they would simply be absorbed by their west German partners. Ironically, this element of German politics has been marginalized at a time when the two issues to which it could contribute most—dealing with the environment and confronting the legacy of Stalinist socialism in the former GDR—have become more rather than less important. Both groups have resigned themselves to the harsh logic of electoral politics, and plan to merge in 1993.

Two small far-right parties, the Republicans and the German People's Union (DVU), found themselves out in the cold after the opening of the Berlin Wall. The Republicans recorded only 2.1 percent of the vote in 1990.[24] However, both are now resurgent, as voters angry about what they perceive to be both an excessive flow of hard-earned *Deutschemark* abroad and an excessive inflow of refugees at home have elected the DVU into the state parliaments of Bremen and Schleswig-Holstein and the Republicans in Baden-Württemberg.

The changing fortunes of the political parties are important to an understanding of the new political landscape because German democracy is a "party state." Parties are anchored in the German constitution and exert far more control over the political process than is the case in the United States. Party identification remains relatively strong, with roughly 50 percent of the electorate voting according to traditional party lines. While unification may have consolidated the west German political party spectrum over the short term, there is evidence to suggest that over the longer term, the most significant trend will be a gradual "dealignment," rather than a consolidation or realignment of the new German electorate, as more voters stay home and fewer trust the established parties to solve pressing problems. Already, participation in federal and state parliamentary elections has declined, and group voting behavior based on class or confessional characteristics has weakened.[25] The Federal Constitutional Court has also declared unconstitutional certain elements of public financing of political parties, thus depriving the parties of comfortable arrangements that had solidified their hold on German political life. Unification has, if anything, accelerated important changes in the structure of the German electorate, such as the clear breakdown in the historic alliance between the non-Catholic working class and the SPD. The vast majority of east Germans have no clear patterns of voting behavior determined by social class, traditional party loyalties, or Weltanschauung. In Germany as a whole, "floating voters" are likely to increase as successive generational waves of middle-class, white-collar employees, and civil servants, who are more flexible in their voting behavior, appear on the scene.[26]

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[23]The Greens lost 600,000 voters to the SPD and 140,000 to the CDU. See Serge Schmemann, "A Normal Germany," *The New York Times*, Dec. 4, 1990.

[24]The German Office for the Protection of the Constitution estimates that there are about 4,000 active neo-Nazis in the country, and 35,000 members of other right-wing extremist groups.

[25]Between 1983 and 1990, the percentage of those eligible to vote who actually voted in the Bundestag elections fell from 89.1 percent to 78.6 percent in the western states. In a number of state parliamentary elections, the voting percentages were the lowest in postwar history. See "Most Non-Voters Are Voters," *Frankfurter Allgemeine Zeitung*, Feb. 17, 1992; *Infas Report Wahlen: Wahl zum 9. deutschen Bundestag*, (Infas Election Report: The Election to the Ninth German Bundestag), Bonn-Bad Godesberg, January 1980; *Infas Report Wahlen: Wahl zum 11. deutschen Bundestag*, (Infas Election Report: The Election to the 11th German Bundestag), January 1987; Forschungsgruppe Wahlen Ev Mannheim, *Bundestagswahl 1990: eine Analyse der ersten gesamtdeutschen Bundestagswahl am 2. Dezember 1990*, (The Bundestag Election of 1990: An Analysis of the First All-German Bundestag Election of December 2, 1990), Mannheim, December 1990; Forschungsgruppe Wahlen, Mannheim, *Wahl in den neuen Bundesländern*, (Election in the New Federal States), October 1990; Forschungsgruppe Wahlen, Mannheim, *Wahl in der DDR: eine Dokumentation der Volkskammerwahl vom 18. März 1990* (Election in the GDR: Documentation on the Volkskammer Election of March 18, 1990); W. G. Gibowski and M. Kaase, "On the Way to Political Normalcy: An Analysis of the First All-German Bundestag Elections," *Aus Politik und Zeitgeschichte: Beilage zur Wochenzeitung das Parlament*, B 11-12/91, Bonn, 1991, pp. 1–20.

[26]Another important area of political change is the shift of the government and parliament itself from Bonn to Berlin. Although the German Bundestag voted narrowly in July 1991 to move the seat of government to Berlin, events have since diluted the decision. The chancellor, the parliament, 10 ministries, and 8 federal ministries will move to Berlin, but certain key ministries, such as defense, will remain in Bonn.

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Germany: An Immigrant Country?

The opening of the European continent in the last two years threatens to bring about a fundamental redefinition of German nationality itself, due to Germany's gradual emergence as a multicultural society. Since 1989, over 2.5 million immigrants have streamed into Germany. This is twice the rate, relative to population, of entry into the US during the mass immigration period of the 1920's and, apart from Israel, several times more than any state in the European Community or the Organization of Economic Cooperation and Development has absorbed in recent history.[27]

Most immigrants in recent years have been east Europeans of German origin (*Aussiedler*) and east Germans before unification (*Übersiedler*). Although the number of *Aussiedler* shrank by nearly half from 397,000 in 1990 to 220,000 in 1991, an average of 50,000 applications a month, primarily from the former Soviet Union, continue to pile up as a hopelessly overwhelmed bureaucracy tries to deal with the inflow.[28] The 1.2 million *Aussiedler* who arrived in the past six years automatically were granted full German citizenships and were eligible for a variety of aids to assimilation, including full access to the labor market and social security. They have been absorbed without any serious rise in unemployment—they only very rarely take jobs from indigenous Germans. Nearly half of the 1.5 million new jobs created in west Germany during the last two years have been filled by *Übersiedler* and *Aussiedler*, but these jobs have mainly been the dirty jobs most west Germans do not want and for which they are often overqualified.[29] In general, the influx of immigrants has benefited the economy—Germany's new workers will also help pay for the pensions of the graying indigenous population in the next century.

Germany's problems are being created not so much by these immigrants as by guest workers—the so-called *Gastarbeiter*—and by the disproportionate number of political and economic refugees attracted to Germany by the country's liberal asylum laws. About 5.7 million foreigners—6.5 percent of the total population—are now permanently resident in Germany. More than 4 million are guest workers and their descendants, many of whom were born in Germany, including 1.6 million Turks, 650,000 Yugoslavs, and 520,000 Italians.

The official attitude toward the *Gastarbeiter*—expressed by many political leaders and reiterated by Chancellor Kohl himself—is that they are temporary residents who at some point are expected to leave the Federal Republic. This flies in the face of overwhelming evidence that these immigrants are remaining and, in significant numbers, resisting assimilation in the face of dwindling economic opportunity, persistently high levels of unemployment, racist attitudes, and other administrative, political, and social barriers that hamper their movement into the mainstream of German society.

Not only are the *Gastarbeiter* not leaving Germany as anticipated, but increasing numbers of immigrants who seek refuge from political and economic misery at home are entering Germany. The annual number seeking asylum has risen dramatically from a low of 20,000 in 1983 to approximately 256,000 in 1991. Article 16 of the German constitution guarantees asylum to those who are genuinely persecuted, but even those who are judged not to have a right to asylum are protected, often for a number of years, by another clause in the constitution that guarantees the right of legal appeal against administrative edict. In addition, although only 5 percent of applicants are granted official asylum, roughly 40 percent are allowed to stay on humanitarian grounds or because they are protected by international agreements on the treatment of refugees. Although one-third of the refugees are eventually evicted or leave voluntarily, about 1 million currently reside in Germany.

Although the more mobile and open Europe being created by the European Community is making German society more receptive to wider and more varied influences from other societies, unification has resulted in a certain "renationalization" of German identity. At the same time, the intense competition under way for economic security and status in the new Germany has certainly exacerbated animosity toward immigrants. The sudden upsurge in racist attacks against immigrants dramatically underlines the new tensions in the nation. The number of violent incidents aimed at foreigners in Germany increased tenfold in 1991, to 2,368 (compared to an average of 200-250 in previous years); another 600 attacks were recorded in the first four months of 1992. These included hundreds of fire bombings of hostels housing asylum-seekers as well as physical assaults on individuals. Most of the perpetrators were skinheads, right-wing vocational apprentices, or unemployed young people.[30] Three days before the crucial state elections in early April 1990 in

[27]David Goodhart, "Land of Plenty Where Skinheads March," *The Financial Times*, Oct. 28, 1991.

[28]*Frankfurter Allgemeine Zeitung*, Dec. 30, 1991.

[29]Goodhart, loc. cit. Immigration has increased the German population by 1 percent, and the labor force by 1.5 percent. See *The Financial Times*, Jan. 15, 1992.

[30]For an account, see *The Wall Street Journal*, Jan. 17, 1992.

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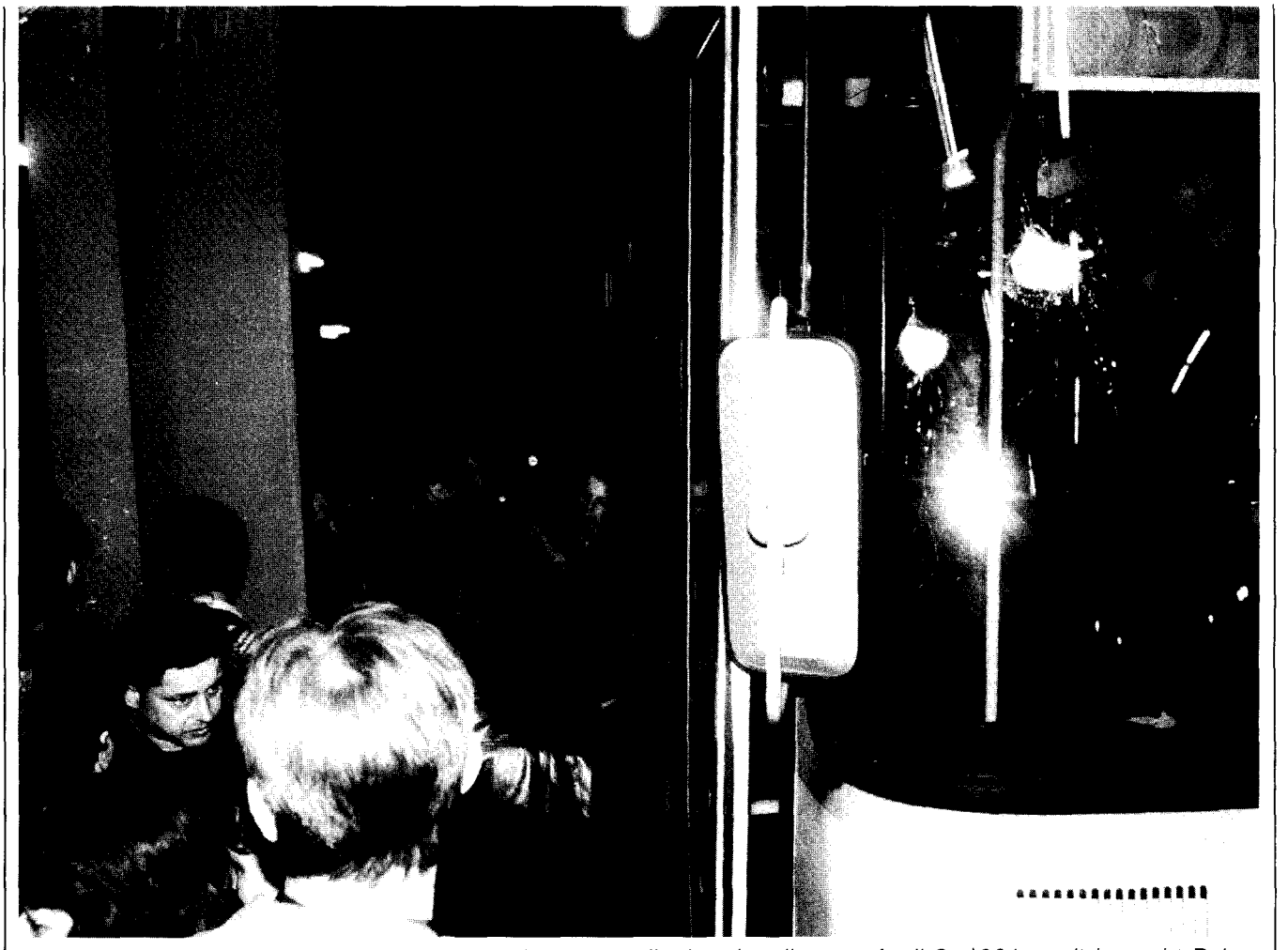

A windshield of a Polish bus damaged by German radical nationalists on April 8, 1991, as it brought Poles carrying three-month tourist visas into Germany at Frankfurt/Oder.

—AP/Wide World.

Baden-Württemberg and Schleswig-Holstein, authorities announced that 35,049 asylum-seekers had arrived in Germany in March—the highest monthly total in the history of the Federal Republic. Asylum was the number one topic on voters' minds as they dealt setbacks to both major parties at the state polls.

Bonn has tightened its asylum procedures eight different times since 1978—with little appreciable effect on the stream of applicants. The CDU is pressing to amend the constitution to make the right to asylum more precise and to override the right of appeal against administrative edict. It wants a list of countries to be drawn up from which legitimate asylum may be sought and to ensure that applicants from countries not on that list are denied entry to Germany. The SPD and FDP have argued that procedures can be streamlined without amending the constitution, but are moving toward support for a constitutional change. Others argue that the traditional German policy of preference for *Aussiedler,* which is based on blood and direct ethnic descent, should be stopped. They call for an immigration law that would include quotas for different countries, and argue that citizenship should be based on territory (i.e., those born in Germany) rather than on ethnic heritage. The debate also has an important European component as the EC builds down its internal barriers, but any harmonization of German laws with EC norms will likely mean harmonization "down" to the more restrictive practices prevailing in other EC countries.

The result of this debate has been an unsatisfactory mixture of a liberal approach to entry but neglect over integration into German society. How Germans confront the challenge of an ethnically less homogenous society on a freer continent will be a decisive element in how Germany approaches the twin challenges of inner cohesion and external stability.

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Germany: Europe's Central Power

Turbulent changes in Europe prevent the German political class from devoting exclusive attention to these domestic headaches. The shape of post-Soviet Europe will be determined to a large extent by the relationships now being forged between Germany and its neighbors. The aftershocks emanating from the tectonic shifts in the East are being felt acutely in the nation that embodied the old divisions of Europe and once again finds itself *das Land in der Mitte*—both the geographic center and the central state for Europe's economic and political revival. Concern that continuing political and economic instability in the region, especially when punctuated by violent ethnic and nationalist conflicts, could undermine German prosperity and security, as well as destroy an historic opportunity to consolidate democracy and market-based economic reforms throughout Europe, is now driving much of German foreign policy.

Although there are many challenges facing Germany in the 1990's, it is also better positioned to deal with them. Germany's significance within the European Community and the West increases its influence within the East while its growing sway in the East enhances its ability to shape Western institutions and policies. Faced with a fluid and unpredictable situation on its eastern flank, Germany has embarked on an active policy of pan-European entente, seeking to build a stable political, economic, and security framework that can make Europe safe from its history. During the cold war, European stability had been organized from the periphery; the premise of European entente is that it must now be facilitated from the center. Germany, united and free, is the nation most able, anxious, and willing to spur its partners to commission the actual construction of a Common European Home and underwrite the accompanying *Hausordnung*.

Germany has already committed significant sums and substantial energies to a vision of Europe that binds Eastern nations to Western structures and aims to consolidate democracy, arms control, and social market principles. Of the $80 billion in international aid pledged or extended by early 1992 to the Soviet successor-states, Germany contributed $45.5 billion, or 57 percent.[31] The German presence in Poland, Czechoslovakia, Hungary, and the Baltic states, already substantial, has been underpinned by a series of new bilateral cooperation agreements.[32] Germany is particularly active in the Baltic states, whose leaders increasingly view Germany as a major advocate and trustee of their interests. German leaders have urged that association agreements be concluded quickly between the Baltic states and the EC, with a view to the Baltic states' eventual membership. In addition, German diplomats and businessmen are actively engaged in concluding investment treaties and offering financial, legal, and technical advice and training. Discussions are under way to link the Baltic states through a glass-fiber communication network, and new rail, sea, and air linkages have been established.

The ambitious framework treaty signed between Germany and the former Soviet Union in 1990 has been transferred to Russia, and is likely to revive the historically deep common bonds between the two countries after decades of animosity. Already, German-Russian cooperation is proceeding apace, and includes plans for intensified economic and political cooperation, manager training, and joint projects in the areas of transportation, agriculture, consumer goods, and gas and oil exploration. Many German companies previously based in Moscow are now opening offices in other cities. "Delegation bureaus" representing German industry are being opened in St. Petersburg and Moscow, a clear sign of the priority Germans have assigned to a quick assessment of the economic challenges and opportunities in Russia.[33] In April, Germany and Russia signed an agreement on the gradual reestablishment of an ethnic German "Volga Republic" in Russia, which Stalin had abolished in 1941. As a first step, an autonomous district will be created this fall in the area of Volgograd. This new district will be part of the Russian Federation and will be able to conclude agreements with foreign governments and levy taxes. The German government is certain to be a major financial supporter of this new district.[34] German played a central role in the Group of Seven's $24 billion aid package for Russia

[31]Figure based on "German Support for the Reform Process in the USSR/CIS," Author's copy provided by the German embassy in Washington, DC, Jan. 29, 1992. At least 40 percent reflects financial commitments made by Bonn in connection with German unity, including DM13.4 billion to ease Soviet troops out of eastern Germany, and the assumption of DM17.1 billion in debts owed by the former Soviets for goods bought from former East German firms. Moreover, a large part of the aid package consists of DM36.7 billion of export credit guarantees, intended to keep German exports flowing to the former Soviet Union. More than 450,000 jobs in eastern Germany are dependent on Soviet trade, so export credits serve as a substitute for even costlier unemployment payments. See *The International Herald Tribune* (Paris), Jan. 23, 1992; *The Wall Street Journal*, Feb. 7, 1992.

[32]Germany has also agreed to waive half of Poland's official debt of $5.54 billion as part of an agreement between Poland and the Paris Club of government creditors to forgive half of the country's total official debt of $33 billion.

[33]See "The First Outposts for the Economy in the Republics," *Frankfurter Allgemeine Zeitung*, Dec. 30, 1991.

[34]See "Agreement On the Reconstruction of the Volga Republic," *Frankfurter Allgemeine Zeitung*, Apr. 24, 1992.

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and initiated the idea of launching a Center for Russian Nuclear Scientists to prevent them from selling their knowledge elsewhere. Germany has also been in the forefront of EC efforts to negotiate special treaties with Russia, Belarus, Ukraine, and Kazakhstan that are one step above classic treaties of trade and cooperation and one step below the association agreements with Poland, Hungary, and Czechoslovakia. Ukraine has also rushed to cement relations with Bonn—and profit from German largesse—by offering to establish a homeland for up to 400,000 ethnic Germans whose parents and grandparents had been deported to Central Asia and Siberia during World War II.[35]

Nonetheless, Russian dreams of a new "partnership of destiny" with Germany remain hostage to domestic turmoil in Russia.[36] Most eastern nations, in fact, have excessive expectations (and some excessive fears) of the role Germany may play in expediting their transition toward fully functioning democratic market economies. Germany may play an important subsidiary role in the transition, but ultimate success or failure depends on these countries themselves—and many signs are not promising. All aspects of the economies in the Soviet successor-states are grinding to a halt—distribution, communications, transportation systems and, most important, human confidence. If the problems become too severe, they could easily spill over into Europe in the form of migration, xenophobia, and regional instability, or draw Germany into ethnic or nationalistic conflicts as a patron of endangered German minorities or as a base from which extremist east European groups could fuel bitter ethnic struggles.[37]

German officials are concerned that the sense of urgency that they feel is insufficiently appreciated by their Western partners. Horst Koehler, state secretary in the finance ministry and Germany's chief negotiator in the Group of Seven industrialized nations, reflected growing German exasperation when he exclaimed recently that "We are living on a powder keg, yet nobody is worrying about it enough."[38] Koehler and others are in the forefront of redoubled efforts to export Germany's "stability culture" eastward.

Should conditions deteriorate in the East before the West is willing or able to articulate and implement a coherent and effective approach to dealing with the region, there will be enormous pressures on Germany to dilute its multilateral propensities with a range of bilateral and unilateral endeavors to channel this process of chaotic change. If common efforts fail to keep pace with the German sense of urgency, Germany will feel compelled to act alone, contrary to its clear preferences and its own best interests. The German decision to recognize Croatia and Slovenia, dragging the European Community along with it, is only the most recent and visible expression of these underlying pressures, underscoring Germany's yearning for stability as well as its new willingness to use its clout if necessary.

Germany and the European Community

Accelerating disintegration in the East has sparked a more determined interest within the Bonn coalition to accelerate integration in the West. In the government's view, a stronger and more cohesive European Community could act as the motor of the continent, tame the newly freed nationalisms in the East, and augment Germany's own initiatives to facilitate Eastern reconstruction. A stronger European roof over the expanded German house would also provide a legitimate framework for the advancement of German interests.

The negotiations leading to the Maastricht summit of EC leaders in December 1991 should be seen in this context. Tough German positions on deeper integration do not reflect a new hesitation about European union; they herald a new assertiveness in defining European unity on terms congenial to German interests. Germany has been at the forefront of efforts to propel the EC toward political, economic, and monetary integration far beyond the scope of the 1992 unified market.

At Maastricht, Germany's partners agreed that a common European currency would be introduced by

[35]Approximately 50,000 ethnic Germans now live in Ukraine; before World War II, there were about 435,000. The German government has pledged aid to develop Ukrainian agriculture and to support joint cultural and social projects. For background, see "Ukraine Receives Russia's Germans," *Süddeutsche Zeitung*, Mar. 2, 1992.

[36]With unification complete and the Soviet Union a footnote to history, Moscow's leverage over Bonn has shifted from strength to weakness. Germans remain particularly concerned about the lingering presence of over 200,000 troops in eastern Germany until 1994. Moreover, East Germany's business with the Soviet Union accounted for 40 percent of its foreign trade. Some sectors, such as shipbuilding and railway cars, remain highly dependent on Russian orders. Roughly 800,000 east German jobs are directly or indirectly dependent on Russian trade. Yet Russia's inability to pay means that Soviet orders are based less on commercial terms than on generous credits from Bonn. This, in turn, means that a significant portion of German-Russian trade has been transformed into an indirect subsidy for east German workers in a variety of industries struggling to stay afloat after unification, industries that would in all likelihood collapse without Russian orders. Bonn has decided that the substantial costs of subsidizing its Russian trade are less than the economic, political, and human costs of additional unemployment in eastern Germany.

[37]As Yugoslavia splintered, Germany quickly became an important base for Croatian nationalists, some of whom were arrested for smuggling arms to Croatian forces. See *The New York Times*, Dec. 16, 1991.

[38]Quoted in *The Financial Times*, Jan. 21, 1992.

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Former Minister of Foreign Affairs and Vice Chancellor Hans-Dietrich Genscher (left) and Chancellor Helmut Kohl at the Maastricht Summit on December 10, 1991.

—Reuters/Bettmann.

1999 at the latest, and that they are prepared to put their economies through the wringer to reach that goal. The currency will be controlled by an independent European central bank committed to meet the exacting standards for monetary discipline preferred by the Bundesbank. Efforts to increase the decision-making powers of the European Parliament were postponed, but the direction is clear. Correcting the EC's "democratic deficit" by granting more powers to a popularly-elected European Parliament will inevitably result in a larger German voice, given that united Germany is 50 percent more populous than Britain or France or Italy. Bonn has proposed legislative powers for the European Parliament that go far beyond what most of Germany's EC partners are prepared to accept.

At the same time, the pace of the Soviet collapse, coupled with the uncertain outcome of reform efforts in Eastern Europe, has transcended the debate of the last two years over whether the EC should accord top priority to deeper integration or wider membership. According to the German view, the EC must do both simultaneously. In fact, reducing the European dynamic to the simple question of "deepening vs. widening" blinds one to the far more differentiated processes already under way. As the deepening process proceeds, the European Economic Area (EEA) now being created by the EC and European Free Trade Association (EFTA) is quietly being transformed into a stepping stone toward eventual full EC membership rather than as an alternative to it, as had been originally conceived by the EC Commission and the French. Seven countries of EFTA have adopted 80 percent of the EC's common market policies, and now the EEA constitutes the largest economic area in the world. With 380 million inhabitants generating 40 percent of world trade, EEA countries had a combined GNP of $6.9 trillion in 1990, compared to $5.14 trillion in the US and $2.9 trillion in Japan.[39] While in the EEA, non-EC states will have to adopt 30 years of EC economic legislation, amounting to more than 1,400 separate laws, and align their policies on social affairs, the environment, and education. Chancellor Kohl has already called on the EC to begin accession negotiations with those EFTA states that can meet the political and economic conditions for membership—and most of them can—immediately after the EC completes its own "1992" project of internal market liberalization at the end of this year.[40]

At the same time, the EC is already facilitating progressive levels of association and integration with Eastern Europe and even the Soviet successor-states as a means of bringing aspiring members into the EC orbit without either disrupting the inner core or imposing the strain of full economic membership on the periphery. Poland, Hungary, and Czechoslovakia have signed association agreements with the EC. Czechoslovakia has concluded a trade agreement with EFTA; Poland and Hungary are negotiating similar agreements.[41] In the meantime, efforts are already under way to allow such states to take part in ongoing efforts at foreign policy coordination by EC states, as represented by the loose arrangement known as European Political Cooperation; and to be granted observer status in the European Parliament and accorded the right to participate in hearings of its committees on questions that might affect them. Moreover, the inner core and the affiliated states in the EEA are being ringed by pan-European networks that link various groups of states—including a European environmental agency and a European energy network— as well as by the new financial, legal, communications, and transportation links that are reconnecting Europe after a half century of division. In short, "deepening vs. widening" is already yesterday's de-

[39]Deutsche Bank, "The G-3 Brief: The European Economic Area," November 1991.

[40]Chancellor Kohl supports EC membership for Sweden, Norway, and Finland by 1995, and has declared that a "*Europa der Mitte*" must include the Baltic states, Poland, Hungary, and Czechoslovakia. Europe cannot "end at the Oder," he asserted. See *Frankfurter Allgemeine Zeitung*, Feb. 10, 1992.

[41]See *The Christian Science Monitor* (Boston, MA), May 6, 1992; *Polish News Bulletin*, Apr. 24, 1992.

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bate. It has been superseded by the practical reality of multi-speed European cooperation anchored to the German core.

The German vision of a federal Europe with open and flexible structures and strong local authority, as in Germany itself, has been at odds with both the broader British concept of the EC as a loose confederation of states sharing common needs, and the narrower French concept of a limited, strong Community under the firm control of nation-states. The dynamics of European integration and disintegration are thus keyed in fundamental ways to the awkward triangular dance of the Germans, the French, and the British around the issue of power. Even before unification, continuing efforts by German leaders to couch important power relationships in other terms and to cloak the consequences of West Germany's growing weight were matched by concomitant French and British unwillingness to come to terms with the erosion of their global roles as well as by their reluctance to acknowledge the extent to which their economic and monetary policies were becoming dependent on decisions made in Brussels, Frankfurt, and Bonn. The French and British continued to prefer to play a global role, but they were being forced by economic pressures to narrow their horizons. Similarly, the Germans continued to prefer to play a regional role, but were being pushed to broaden their international responsibilities in a manner commensurate with their increased weight. The debates in Britain and France about devolution and retrenchment are intensely painful for nations accustomed to greater roles on the world stage. The German debate about evolution and greater responsibility is equally painful for a country, mindful of its history, that had grown accustomed to rather comfortable dependent relationships and modest ambitions.

Both France and Britain spent most of 1990 in a muddle about the transformation of the international system; cold war cobwebs clouded their perceptions about the true nature of the changes unfolding before them. The East-West competition and its consequences—the division of Europe and therefore of Germany—gave both Britain and France a status in the world that was beyond their real means. It also allowed them to resist the compelling logic of their respective commitments to European integration. The French were conveniently able to hide their reservations about deeper defense integration behind British intransigence regarding monetary and economic integration, while the British could comfortably avoid issues of tighter European political integration as long as the French maintained their obstinate commitment to Gaullist independence. Unification and broader European changes have cruelly ripped away the façade. In the new Europe, French adherence to an independent nuclear and military posture and British adherence to an independent economic and monetary stance threaten to marginalize rather than enhance their relative influence and stature. The contradiction between the old rhetoric of independence and the new imperative of integration has in turn unraveled the prevailing domestic consensus in both countries toward their respective European commitments.

Germany has been quick to exploit these contradictions by pressing the British to cede some of their sovereignty in economic and political matters, and by pressing the French on matters of security. In 1990, in an unusually blunt and revealing assertion of German power, Alfred Dregger, at the time the parliamentary leader of Helmut Kohl's CDU, declared that a European monetary union would be possible only if France abandoned its ambivalent approach to security issues and joined efforts toward a common European defense. "How can Germany renounce its sovereignty over the mark if its security needs are not satisfied through a European defense policy that must include France?" Dregger asked. "Monetary union and security union have equal importance and depend on each other."[42]

The French appear to be adapting themselves much faster than the British to the implications of a more European Germany in the heart of a more German Europe. While Britain has chosen to stand apart, France is moving toward a tight embrace of Germany. French leaders appear to have come to terms with the uncomfortable realization that the preservation of much of France's global and regional influence is dependent on close cooperation with Germany. Paris has thus been committed to deeper integration, first as a means of harnessing the political and economic might of its larger and more powerful neighbor, and second, as an avenue toward a vibrant, competitive Europe capable of assuming a role on the world stage and a position in the world market equal to and even exceeding that of the United States and Japan. French President François Mitterrand and EC Commission President Jacques Delors have now finally broken the taboo against questioning the independence of the French nuclear deterrent, which has underpinned France's image of itself as a leading world power. Both have broached the idea of a European nuclear doctrine, thereby opening the door for a more public airing of the agonizing reappraisal of French defense policy that has been going on behind the scenes for some time.

Such choices by Germany's major partners will be crucial because the daunting challenge of internal uni-

[42]Quoted in *The Washington Post*, Dec. 17, 1990.

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ty has led to growing signs of domestic unease about the commitments Germany may have to make to deeper European integration. Germany is already the Community's largest contributor and accounts for roughly two-thirds of total net transfer via the EC budget. The prospect that a European Central Bank may be established by the end of the decade has been a particular catalyst in focusing popular German attention on the potential costs of European integration. The government has managed the domestic debate badly. Instead of portraying deeper monetary integration as a means of exporting the Bundesbank's vaunted monetary stability throughout the EC, the government has allowed the issue to be portrayed as forcing ordinary Germans to sacrifice their solid *Deutschemark* on the altar of European integration in exchange for new, soft "Esperanto money." A faltering German commitment to an ever closer European Union could spell an end to the grand European experiment, which has smothered the ancient rivalries that once inflamed the continent. Whereas a Germany embedded in a strong European Community within a robust Atlantic framework can continue to generate economic growth and political stability, a more parochial yet dominant *Deutschland* in a looser, fractious Europe could be a source of tension.

Germany and the Emerging European Security Framework

The central importance of the European Community, both as a prosperous, democratic home for Germany and as a "stability anchor" for Eastern Europe, is in turn dependent to a far greater degree than is generally acknowledged on the continuing viability of NATO and Germany's relationship to the United States. The American connection reassures the Germans that events will not spin completely out of control in Eastern Europe at a time when the EC lacks sufficient capabilities to respond to such challenges on its own. The US presence also reassures Germany's neighbors, who are watching very closely German efforts to redefine its role. NATO remains essential to Germany as the single functioning security mechanism in Europe, a complement to the EC as an additional anchor of European stability, and as a forum for coordination among a diverse set of democracies on a broad range of policy issues.

The Conference on Security and Cooperation in Europe (CSCE), the third leg of Europe's triad of major institutions, also remains crucial to the German approach to European stability. It is the primary mechanism to draw the nations of the former Warsaw Pact into the Western political and economic orbit and secure their commitment and adherence to certain standards of behavior, without endangering NATO or undermining progress toward a closer European union within the EC. Former foreign minister Genscher took the lead in urging that new relationships with the Soviet successor-states be codified in a bundle of treaties and agreements, to be facilitated in particular by the admission of these new states to the CSCE and to a newly-formed North Atlantic Cooperation Council (NACC). In the prevailing German view, the NACC—which is composed of the 16 NATO nations and 19 states that once comprised the territory of the Warsaw Pact—preserves an Atlantic military relationship and a continued American commitment to Europe's security while simultaneously laying the basis for a future European security framework that could keep Europe safe from itself. According to this conception, NATO could evolve into the defense arm of the CSCE, supervising arms control and disarmament agreements, cooperating on efforts at defense conversion, and performing peace-keeping duties under arrangements worked out through the CSCE, while still rudimentary efforts at closer West European defense cooperation in the West European Union proceed apace.

Many other issues confronting the Germans in the wake of unification, such as the overall relationship to the United States and German global responsibilities, are beyond the scope of this essay,[43] which has sought to address the twin challenges that now consume German energy and attention: consolidating inner unity and defining the European framework of stability in which German interests may be advanced. Germany's quest to establish a tolerable degree of internal cohesion and external stability in an era of transition will propel German and European politics in the post-Soviet era. During the 1990's, German policy will be driven more by concerns about solvency and stability than by dreams of domination, although the result of such efforts is likely to be not just a more European Germany, but a more German Europe. At the same time it is important to keep in mind that the Central European, Baltic, Russian, and Ukrainian *Drang nach Westen* is much more relevant to contemporary Europe than older ghosts of a German *Drang nach Osten*.

There is a growing—but still fragile—consensus within Germany that the country must shift from being an importer of security to an exporter of stability. Yet its

[43] I have covered these issues at length elsewhere. See my "United Germany. Closing the Expectation Gap," testimony before the Subcommittee on Europe and the Middle East, Committee on Foreign Affairs, US House of Representatives, January 29, 1992; and Atlantic Council of the United States Task Force on German Unification, *The United States and United Germany*, October 1991.

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ability to fulfill this role will be limited by the degree of domestic turbulence wrought by unification, and the relative degrees of assistance and resistance it receives from its primary partners for such a role. Although the prospect of a democratic, market-oriented Europe that is increasingly defined in the middle rather than in the west points to a profoundly different continent than the one to which Americans have been accustomed, it is not necessarily one at odds with American interests. To the extent that it extends the community of stable democratic nations and prevents Europe from being a breeding ground of conflict that draws inordinate amounts of resources and human energy from the rest of the world, it is in fact likely to enhance American interests.

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The Bumpy Road of Czechoslovakia's Velvet Revolution

Otto Ulč

The overwhelming repudiation of the ancien régime during Czechoslovakia's "velvet revolution" of 1989 catapulted the dissident playwright Václav Havel from jail to the Hradčany Castle—the kind of scenario that befitted this author of the theater of the absurd. The very same parliament that a few weeks earlier would have without hesitation sent Havel to the gallows elected him—unanimously—to be head of state.

The new president opened his first address to the parliament with the observation that nowhere in his new premises did he find a clock. He found this rather symbolic: there was no need for measuring time because time had stopped in the country many years ago. Now, after a long period of stultifying immobilism, he observed that events started to gallop, and a host of fundamental changes were needed to bring the country back into Europe.

To symbolize the new era, the ornamental, self-congratulatory adjective "Socialist" was dropped from the name of the state. This deletion raised no visible passion—in contrast to the heated and rather embarrassing "battle over the hyphen." To Slovak nationalists, the name *Československá Republika* was evidence of their unequal, subservient status. After prolonged effort, the compromise "Czech and Slovak Federal Republic" (ČSFR) was unenthusiastically adopted.

For 40 years, real power was exercised by the party leadership, and the office of the president was a mere appendage to the Communist party's central secretariat. In the postcommunist era, the president has remained in a weak position. Havel, the most popular individual in the country, has no popular mandate, because he was elected by the federal parliament in 1989 and again in 1990, after the parliamentary elections in June of that year.

The survival of the new democratic order was dependent on the successful dismantling of the pillars of the previous regime, the secret police (*Státní bezpečnost* —StB) in particular. At first, the task was handled with ineptitude bordering on ill intent. Vital archives were destroyed. Today, the StB has been abolished de jure, but its de facto tentacles continue to grip many of the country's political and economic structures.

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A Free Election

The velvet revolution produced an interim "government of national reconciliation" (*vláda národního usmíření*) charged with the task of moving the country toward pluralistic democracy and with holding free elections. A populace passive for two generations woke up with alacrity. By early 1990, a total of 334 associations and 58 political parties obtained registration—the Czechoslovak Nonviolently Anticommunist Party and the Party of the Friends of Beer included. Others, such as the Czech Anarchist Alliance and the Independent Erotic Initiative (*Nezávislá erotická iniciativa*), also competed. Some parties and coalitions appealed to particular ethnic groups (the Hungarian and the Gypsy minorities); others, such as the Greens, presented narrower, almost single-issue, programs.

Such newcomers were joined by four so-called historical parties—the Czechoslovak Socialist Party, the

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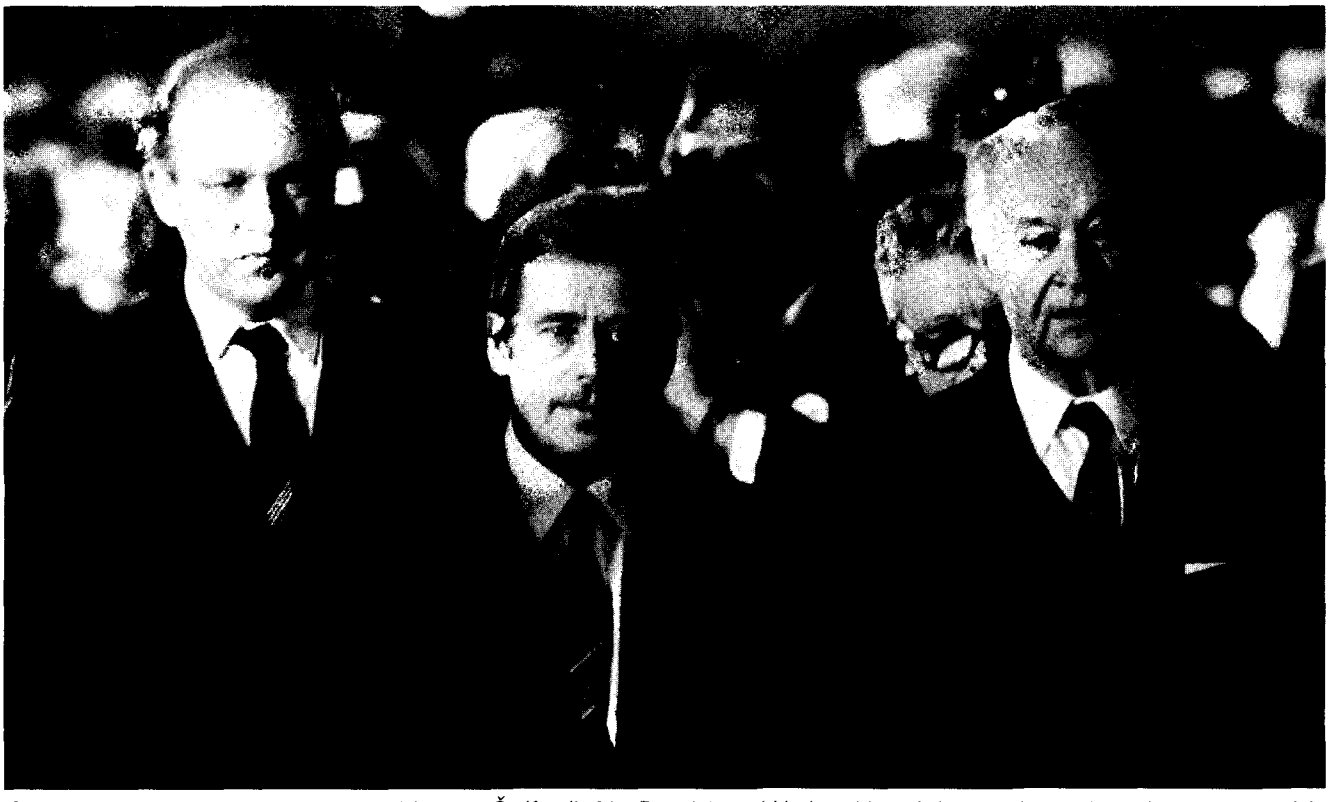

Czechoslovak leaders: Premier Marian Čalfa (left), President Václav Havel (center), and Federal Assembly Chairman Alexander Dubček in Vladislav Hall, Prague, on December 29, 1989.

—Eastfoto.

Czechoslovak People's Party, the Slovak Revival Party, and the Slovak Freedom Party—all of which had been allowed to exist or, rather, to languish, during the era of the Communist party's monopoly, and now were all too eager to shed their demeaning image as puppets. The field of the contestants was also joined by the reborn Social Democratic Party, the country's oldest political organization, which had been forcibly absorbed by the Communist party in 1948.

The two most prominent competitors were the Communist Party of Czechoslovakia (*Komunistická strana Československa—KSČ*) and the Civic Forum (*Občanské forum*—OF). With the slogan "There is no democracy without pluralism and no pluralism without the KSČ," the former monopolists of power offered the electorate a born-again image. The principles of the class struggle and the dictatorship of the proletariat were shelved, and the traditional emblems of hammer, sickle, and red star were replaced with red cherries, thus triggering an avalanche of mordant jokes. However, the official name *Komunistická strana* was kept, in contrast to the practice of communist parties in other countries of the former socialist bloc.

Of the 148 members of the Central Committee, only four were re-elected at a party congress in December 1989. The entire old leadership was replaced and the most prominent figures were expelled from the party. With a handful of exceptions, KSČ candidates running in the parliamentary election were newcomers: the majority had a university education; at least one of them (Zdeněk Masopust) was a self-proclaimed practicing Catholic; and, indeed, some of the candidates were not even members of the party.[1]

Although the former ruling party remained a giant institution with funds, facilities, and manpower (in contrast to the new political groups, most of which were struggling to obtain a desk and a telephone), the KSČ kept a low profile, leaving the other contestants to bruise each other in the election battles. "Our campaign must be non-confrontational (*nekonfrontační*)," admonished Jiří Machalík, one of party's new stars.[2] Considering the weight of its responsibility for manifold

[1] *Rudé Právo* (Prague), Apr. 14, 1990.

[2] Ibid., May 19, 1990. Accordingly, the party preferred to ignore negative, even provocative, posters such as those depicting a tall tree with people hanging by their necks under the caption "Socialism—Mistake of Mankind".

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misdeeds, this was a prudent posture. "Those 174 political trials that ended with death sentences remain an unpleasant burden to us," acknowledged candidate Miroslav Grebeníček. At the same time, however, he vowed "to stop further retreats to the dilettantes [i.e., his political adversaries]."[3] Such frankness prompted comments to the effect that the desire for the return of the party's power monopoly had not been extinguished after all.

The Civic Forum, which mobilized the country and defeated the communist regime, could not have been more different from the Communist party. A broad coalition, it eschewed individual membership. Not a highly structured party in the European tradition, it resembled a party of the amorphous American type. In prewar Czechoslovak elections, parties not their individual candidates mattered. Civic Forum, with its emphasis on promoting such popular photogenic personalities as ministers Václav Klaus and Vladimír Dlouhý, with such slogans as "If Not Now, When?—If Not With Us, With Whom?", departed from this tradition. Havel, whose leadership of the Civic Forum propelled him to the presidency, stayed away from campaigning in an attempt to project an air of impartiality. In Slovakia, the leading pro-democracy force was Civil Forum's sister organization, Public Against Violence (*Verejnost proti násiliu*—VPN).

The electoral campaign lasted most of the first half of 1990. Western advisers flocked to the country. As it turned out, they had little understanding of conditions in Czechoslovakia, and their advice had little impact. An attempt to emulate the television debates of American presidential candidates turned into a fiasco: almost two dozen competitors tried to debate each other and score points on the basis of either foggy or mutually overlapping programs. Public-opinion surveys, another Western technique, were also employed, but their projections of the electoral results were off by a wide margin.

The Civic Forum, whose public support was alleged to have faded, received the majority of votes—in fact, more votes than the rest of the parties combined. This victory amounted to a plebiscite on communism and distinction for the Civic Forum, which was correctly perceived as the force that ended the communist era. The proportional electoral system barred from representation in the federal, Czech, and Slovak parliaments parties that failed to obtain at least 5 percent of the total vote. Not surprisingly, given the large number of ballots (from 38 in East Bohemia to 49 in Central Slovakia), most failed to leap this hurdle; thus, only eight parties were represented in the three legislative bodies. A team of 100 foreign observers rated the election as free and fair. Of the total of 11,247,000 registered voters, more than 96 percent participated.

For the majority of the public, elation over the victory was soured by the 1,375,000 votes (15 percent in the Czech Republic, and 13 percent in the Slovak Republic) cast for the Communist party—well in excess of all survey estimates. The communists gained 47 seats in the federal parliament; thus, the party responsible for the devastation of the country over the past four decades became the second strongest group in the federal legislature. The father of actress and publicist Sylvia Daníčkova had his own explanation for the communists' showing: "In a free election, the majority will vote for the communists. Who else but they will enable people to steal with impunity, to be paid without working, to be praised for cheating. It suits them well; they got used to it."[4]

The party attempted to exploit the difficulties its adversaries faced in trying to undo the damage of the past. Fear of socio-economic uncertainties influenced a part of the electorate. The party especially targeted senior citizens, simultaneously plying them with chocolate and sowing fear over the security of their pensions. The party's supporters included beneficiaries of the former regime, those fearing retribution, and individuals nostalgic for the movement of their youth. The party did not, however, appeal to the younger generation—it gained the support of a mere 3 percent of people 18–24 years of age.[5]

Aims and Accomplishments

The federal parliament is located in an awkward-looking building constructed in the period of "normalization" after 1968. It is situated between the national museum and an opera house (and thus is the butt of predictable jokes). Seats are currently held by former secret police spies and by their victims. Five former first secretaries of the Communist party are deputies, and one of them (Alexander Dubček) serves as Speaker.

The legislature elected for a two-year term in June 1990 was charged with the task of drafting and ratifying a new constitution and a host of fundamental laws to restructure a police state into a pluralistic democracy

[3] *Forum* (Prague), May 30, 1990.

[4] Ibid., June 20, 1990.

[5] Marek Boguszak and Vladimír Rak, *Czechoslovakia—May 1990: A Research Report*, Prague, AISA, 1990, Table 1.

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based on the rule of law. Its first act was the re-election of Havel as president to a (two-year) term. Of the 284 votes cast, 50 deputies voted against Havel, thus discarding the leaden habit of unanimity.

The "government of national reconciliation" was replaced by the "government of national sacrifice"—the first government in postwar Czechoslovakia that did not include any members of the Communist party. The cabinet, which was headed by former Communist Marian Čalfa, was reduced from 23 to 16 members; of these, only nine had served in the previous interim government.

With the initial euphoria spent, criticism of the new leadership set in, with charges that amateurs were surrounded by amateurs, that there was a reluctance to make decisions, and that decisions were passed on to the overloaded center by local and provincial authorities. Many objected to Havel's choice of advisers, who included thinkers of such caliber as the rock musician Frank Zappa. For its part, the older generation of Czech patriots was stunned by the president's apology to the Sudeten Germans—made shortly after he became president—for the brutal vengeance inflicted upon them in 1945.

Havel is also criticized for traveling abroad too frequently. Yet, it is in the sphere of foreign policy that the new regime has achieved its greatest successes, which are in large measure due to Havel's prestige abroad.[6] A treaty with Germany to solve problems stemming from World War II was worked out. Czechoslovakia was also admitted into the Council of Europe —the "decontamination chamber for the transition from democratization to full democracy."[7] Moreover, unlike other spheres of state administration, the foreign service is already staffed mainly with personnel of unblemished record: of the 109 ambassadors, only nine are leftovers from the previous regime.[8] Prague achieved another success in December 1991, when Czechoslovakia (along with Poland and Hungary) was granted associate membership in the European Community. This accomplishment was characterized by Premier Čalfa as the "most significant agreement in the history of Czechoslovakia."[9] This was an unwarranted hyperbole, indeed, in view of what was the paramount success of Czechoslovakia's foreign policy in 1991—the full emancipation from Soviet domination. The last units of the occupying Soviet Army left the country on June 21, 1991, and less than two weeks later, members of the Warsaw Pact signed a treaty in Prague to dissolve the alliance. Subsequently, in autumn 1991, Czechoslovakia and the Soviet Union signed a bilateral treaty on the normalization of their relations. This treaty annulled all previous political commitments between the two countries.

The country's foreign policy record is not without blemish, however. Third World customers owe Czechoslovakia a considerable sum of money: Iraq, US$4 billion; Syria, in excess of $1 billion. Contrary to its earlier pledges to abandon arms sales, the financially pressed Prague government risked its favorable image abroad by selling Syria 300 tanks for cash. Additionally, during the attempted August 1991 coup in the Soviet Union, the government appeared paralyzed, incapable of adopting even rudimentary measures in defense and other spheres.

Finally, Czechoslovakia's image in the West has suffered, as has the West's image in Czechoslovakia. The West is becoming disillusioned with nationalistic squabbling taking place between Czechs and Slovaks at a time when pressing reform needs are going unmet. For their part, Czechs and Slovaks perceive that the West treats them as poor relatives to be kept at a distance.

Economic Reform

The restructuring of the economy has thus far registered some success. A strong industrial base in Bohemia and Moravia survived World War II almost unscathed. However, these smokestack industries have turned into an increasingly negative asset, prompting Czechoslovakia to be characterized as the world's greatest industrial museum, "an odd hybrid between a developed and a developing country."[10] Failure to invest in modernization was compounded by the neglect of the environment, which has had devastating ecological consequences. Petr Vopěnka, an accomplished scholar and an outspoken minister of education, presented a brutally frank diagnosis under the title "We Lost a War." In the conflict between world capitalism

[6]He has been nominated for the Nobel Peace Prize, was the recipient of the prestigious Charlemagne Prize in Germany, was warmly received in the United States Congress, and was the first among leaders of former communist countries to be invited to address the North Atlantic Treaty Organization in Brussels.

[7]Jacques Rupnik, *International Herald Tribune* (Paris), cited by *Lidové Noviny* (Prague), May 6, 1991.

[8]*Lidové Noviny*, June 29, 1991.

[9]Ibid., Dec. 17, 1991.

[10]Valter Komárek, director of the Institute of Economic Forecasting, a member of three different political parties in a single year, and currently the most vocal critic of the economic reform, in *Lidové Demokracie* (Prague), Jan. 24, 1990.

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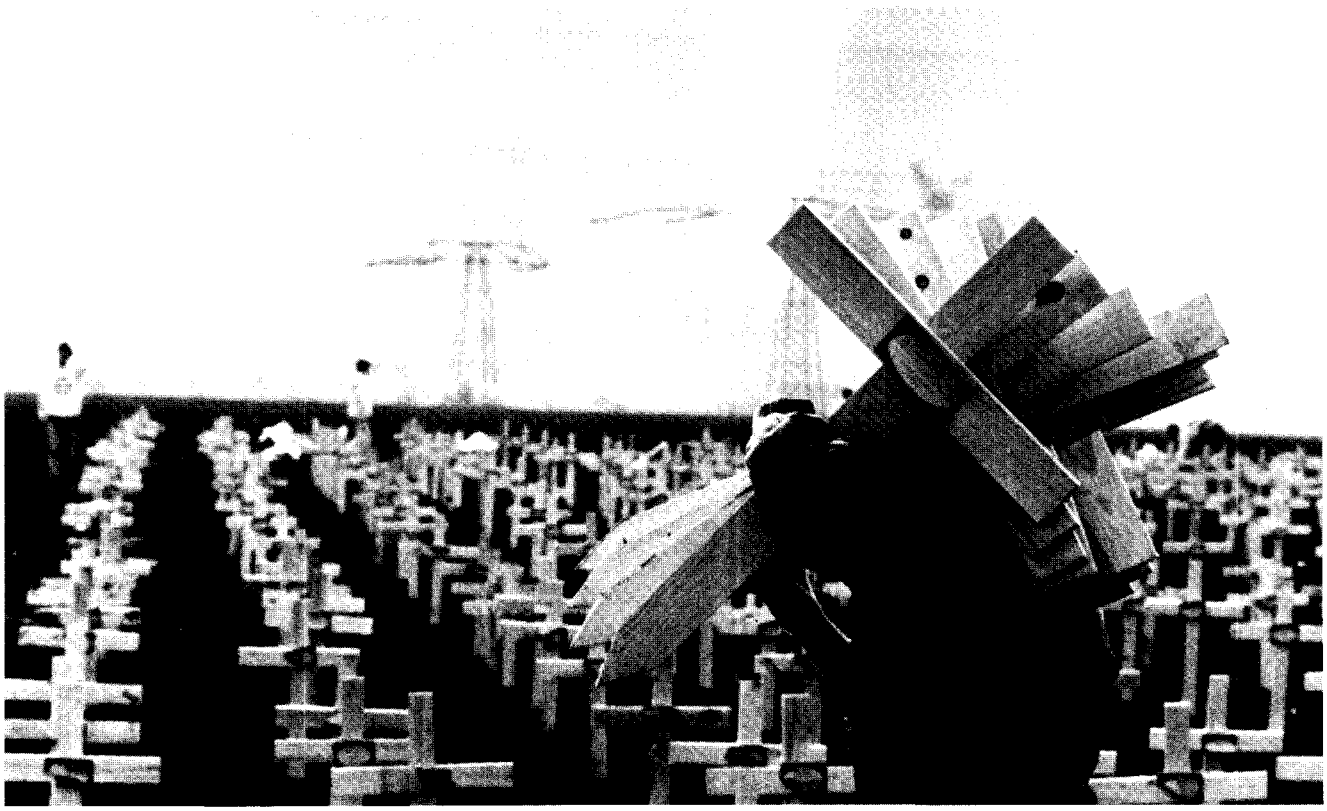

A Greenpeace activist carries several of the 3,000 wooden crosses to be set up in front of the Soviet-built nuclear power plant in Jaslovské Bohunice, Czechoslovakia, in April 1991 to commemorate the fifth anniversary of the nuclear disaster at Chernobyl'.

—Reuters/Bettmann.

and the allegedly superior socialist order, Czechoslovakia, he said, was defeated and subsequently impoverished.[11]

The need for economic reform received verbal endorsement from all constituencies, but an intense disagreement developed over its speed and contents. With Havel's unenthusiastic endorsement and against the very resolute objections of the political Left, a radical version of reform went into effect on January 1, 1991. Its chief architect was federal Minister of Finance Václav Klaus, a monetarist of the Chicago school, and a most prominent—and talented—politician of conservative orientation.

The reform is causing multiple shocks. The state abandoned central planning and ended a host of subsidies. The impact was immediately felt when prices climbed 25.8 percent in January. However, instead of the hyperinflation of 250 percent predicted by Valter Komárek (Klaus's principal opponent), consumer prices rose by only 45 percent in the first half of the year, and then stabilized at a near-zero rate of inflation in the second half of 1991. "The first battle with inflation we won," said Klaus in summarizing the accomplishment.[12]

But the move to the market begat joblessness, a dreaded novelty in the country. By mid-1991, unemployment had reached 6.31 percent, and affected 500,000 individuals.[13] The overall rate is still considerably lower than in Western Europe, but it affects the Slovak Republic more severely (11.1 percent) than the Czech Republic (4.1 percent), and thus contributes to the growing pressures that endanger the preservation of the precarious federation. Unemployment cannot be blamed entirely on the dislocations caused by the emerging market economy. The Ministry of Labor and Social Welfare found that some 35 percent of the jobless prefer their new status given that they can draw unemployment compensation—another novelty unknown under the communist order.[14]

Productivity in Slovakia is lower, energy consumption

[11] *Lidové Noviny*, June 6, 1991.

[12] Ibid., Dec. 11, 1991.
[13] Ibid., Oct. 18, 1991.
[14] Ibid.

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The Slovnaft chemical works in Slovakia.

—Eastfoto.

is higher, and the republic will certainly feel the pain of transition more than the Czech Republic. Because Slovakia was far away from the likely front lines of any NATO–Warsaw Pact conflict, the communists located most of the armament industry there. The current plan of defense-industry conversion is widely resented and interpreted as an insidious plot to stab the Slovaks in the back. Allegedly, it is the greatest catastrophe that the Slovak people have had to endure since the Turkish invasion in the 17th century.[15]

Czechoslovakia also experienced a 23.1 percent decline in industrial production in 1991. The state-owned heavy industries produce goods of inferior quality for which there is little demand in a market economy. The Federal Office of Statistics also reported a fall in productivity (18.2 percent in the Czech Republic, 23.6 percent in the Slovak Republic). This harmful trend is ascribed to various causes, such as energies being diverted to private pursuits, disinterest of the old managerial staffs bordering on sabotage, and a general decline in worker morale.[16]

Privatization—i.e., the sale of state-owned properties—has proceeded in two phases. The so-called small privatization entailed auctioning off leases or ownership rights of retail stores and services to individuals. This practice led to some unusual results. Some properties failed to attract any bids; others attracted bids far in excess of their nominal worth. In the town of Jihlava, a newspaper stand was sold for a price 55 times higher than the original bid. The price of a lease for a coffee shop in Olomouc jumped 75 times.[17] By November

[15]*Forum*, Apr. 10, 1991.

[16]*Československý Týdeník* (New York), Jan. 30, 1992.

[17]Ibid., Apr. 2 and May 6, 1991; *Hanácké Noviny* (Olomouc), May 11 and 14, 1991.

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A public auctioning-off of small businesses in Prague on December 26, 1991.

—Eastfoto.

1991, 42 percent of all retail stores in the Czech Republic had been turned over to private management. In the case of grocery, vegetable, and fruit stores, the share reached 75 percent.[18]

In order to maintain their "production of a social character" (unwanted goods), state-owned enterprises have retained their work force, but they are slipping into bankruptcy in the process. The consequences are that banks refuse further loans, and suppliers charge delinquent producers a penalty of one-tenth of 1 percent per day of their unpaid bill. According to a survey conducted by the Association of Czech Industries, 83 percent of all enterprises are thus affected.[19] Yet, business as usual continues with the deliveries of the same unsalable and unprofitable goods.

Some managers deliberately bankrupt their firms so they can buy the ruined businesses at a lower value in the privatization program—with their own illicitly acquired funds and/or with the participation of a foreign investor who would retain them in management positions.[20] Another practice involves siphoning off the assets from state-owned companies into a host of ad hoc private "companies" in which the sole stockholders are the officials in charge of the original enterprise, along with their partners, who are more often than not members of the old communist *nomenklatura* with connections to the secret police. Large sums disappear in untraceable private ventures, and the original enterprise becomes an empty shell with huge debts that cannot be recovered. Participants in such fraudulent transactions, which would be grounds for arrest in any properly functioning democratic capitalist state, have thus far enjoyed complete immunity.[21]

The second phase of privatization—the *kuponová metoda* (voucher method)—is directed at large industrial enterprises. It will allow the public to obtain shares in these firms, or to buy shares in something similar to mutual funds in Western countries. Initially, the government intends to part with some 1,440 state enterprises.[22] About 8.5 million citizens, virtually the entire adult population, are expected to participate in this complex process of acquiring private ownership.[23] The success or failure of this venture, which has not been tried anywhere else, is an open question.

But in this *terra nova et incognita,* the road is littered with charges and countercharges of bad faith, insider trading, trickery, dishonesty, laundering of dirty money by black marketeers, penetration by unsavory foreign investors , and, perhaps most infuriatingly, the increas-

[18]*Lidové Noviny,* Nov. 21, 1991.
[19]*Polygon* (Zürich), No. 6, September 1991, p. 13.

[20]Ibid.; *Lidové Noviny,* Sept. 27, 30, and Nov. 21, 1991.
[21]The most notorious case involves a multipurpose enterprise in the Moravian village of Slušovice. Originally registered as an agricultural cooperative under the leadership of the very resourceful František Čuba, a member of the Central Committee of the Communist party, it had acquired a privileged status in the country, including exemption from foreign-trade and hard-currency controls. With the close cooperation of the secret police (prominent members of the old Gustáv Husák and Miloš Jakeš team were also involved), Slušovice established its own airline, and flew to such distant places as Singapore to import electronics equipment that was then fraudulently relabeled and resold. After November 1989, Slušovice reorganized in an ingenious way, providing jobs to high officials of the party apparatus and the secret police, and transferring funds and goods to some 100 hurriedly created private companies. The enterprise, which used to show profits of hundreds of millions of crowns, (30 crowns to the dollar at the official exchange rate) began to show the same amount in debts. The Slušovice mafia, as it is commonly known, continues to operate as a state within a state, and even maintains its own internal police and intelligence agency. (This extraordinary state of affairs was acknowledged by Tomáš Sokol, minister of the interior of the Czech Republic.) The promoters of this fraudulent restructuring plan attempted to have their scheme legalized at a court in Brno. After the request was denied, they tried Slovakia, where Čuba was warmly received by Premier Ján Čarnogurský, and the registration was granted. For further details on the Slušovice affair, see relevant articles in the 1991 issues of *Respekt* and *Polygon,* which read like a James Bond novel.
[22]*The New York Times,* May 19, 1992.
[23]*Lidové Noviny,* Mar. 3, 1992.

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ing role of former members of the *nomenklatura*. The entire concept of voucher privatization is also criticized as a giveaway program, unappreciated by its beneficiaries. The advocates of the voucher method counter with the argument that any other method of privatizing industries in a largely impoverished society would take decades to accomplish.

The economic transformation has opened the door to foreign investment. However, a widespread fear of the country's sellout to "foreign capitalist predators" alternates with a concern that not enough suitors have come forward with seductive offers. With one exception—that of Volkswagen's multibillion dollar contract with the Škoda automobile plant—the average foreign investment in the country's 3,000 joint ventures does not exceed 1 million German marks. The government has been unsuccessful in luring investors from Hong Kong with a promise of a permanent residence and Czechoslovak citizenship. Allegedly, Budapest has been more successful in interesting Hong Kong investors and in the overall competition for foreign investment.[24]

Although Czechoslovakia is in the process of integrating with the West, its previous integration with the East is causing it severe problems. The collapse of the Council for Economic Mutual Assistance, the disappearance of the German Democratic Republic and the Soviet Union, and the insolvency of the Eastern market have severely affected the Czechoslovak economy. In 1990, 27 percent of Czechoslovak exports went to the Soviet market; in 1991, exports to the East declined to a mere 16.8 percent, with no improvement in sight. In 1991, the Soviet Union delivered only one-half of the energy it had agreed to sell to Czechoslovakia.[25]

Notwithstanding these difficulties, in 1991, Czechoslovakia's foreign currency reserves increased from $1.5 billion to $3.3 billion.[26] Compared to the debt of Poland and Hungary, the foreign debt of Czechoslovakia is negligible. The generosity of the Western world in reducing Poland's debt was met with an envious surprise in Czechoslovakia. "Had we received one-fifth of the sum that was written off the Polish debt, we would be able to go ahead with our reform with ease and smile," remarked Josef Tošovský, head of the central bank in Prague.[27]

Precarious Morality

"Habits inculcated by *reálny socialismus* grew deeper roots in the people than we are willing to admit—we are in an very deep crisis," President Havel declared in April 1990.[28] Life under communism was a fairly effortless tenured existence for the mass of compliant citizenry, who were content to grumble in the privacy of their homes. "We are a bunch of miserable bastards, cowards, contemptible collaborators," declared an angry woman in the street.[29]

The past four decades also discouraged a willingness to engage in independent decision-making and to accept responsibility for the consequences. In a television address to the country, Premier Čalfa expressed his concern that people are

afraid of their right to be successful. For an entire lifetime it was hammered into their heads that an enterprising spirit was something immoral. . . . Some of us see insecurity where others see freedom. However, we have no other choice. We cannot stay away from competition with the world. We cannot succeed with hands tied behind our back.[30]

Czechs and Slovaks say openly that unlike America, a country of unlimited opportunities, Czechoslovakia has become a country of unlimited absurdities. Its people demand the best in the world—American wages, Swedish socio-economic security, and Czechoslovak leisurely work habits. Probably the most pernicious impediment to modernization is the tradition of plebeian egalitarianism and envy. In the communist era, the "Theory of Equal Stomachs" encouraged the development of an economically and psychologically ruinous remuneration system in which the earnings of a brain surgeon and a hospital maid were almost identical. This egalitarianism turned into the revenge of the below-average. The preference for equal poverty over unequal prosperity has proven very difficult to uproot. "In 1989 we gained freedom without, however, obtaining any instructive guidance on how to use it," said prominent theater personality Jiří Suchý in commenting on the political health of his country. The public had internalized communist ideology to a greater degree than was the case in neighboring Poland and Hungary.[31]

A free market economy can function only in an environment of trust among people. Today, such conditions

[24]Ibid., Dec. 30, 1991. Zdeněk Drábek, a high official of the federal ministry of economy, reported that foreign investment in the ČSFR is three to four times lower than in Hungary. Seventy percent of the investments are not large enough to purchase a truck, and only 20 percent of foreign investment goes to Slovakia.

[25]Ibid., Dec. 17, 1991. On the other hand, exports to Western countries increased during the same period, especially to Germany.

[26]Ibid., Apr. 4, 1992.

[27]Ibid., Apr. 16, 1991.

[28]*Respekt*, Apr. 18, 1990.

[29]*Tvorba* (Prague), July 25, 1990.

[30]*Rudé Právo*, Apr. 7, 1990.

[31]*Lidové Noviny*, Apr. 27, May 7 and 11, Nov. 29 and 30, 1991; *Reportér* (Prague), Mar. 14, 1991; *The New York Times*, Dec. 19, 1991.

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are absent; instead, the presumption of dishonesty governs economic relationships. Customers are frequently cheated; merchandise is underweight, overpriced, or sold after its expiration date. A consumer-protection office does not exist.

Public acceptance of the economic transformation is mixed at best. To begin with, society is increasingly resentful of growing economic cleavages that have resulted from the move to the market. In 1990, the number of new multi-millionaires was estimated to be 50,000; by 1991, the number had doubled.[32] By contrast, according to a survey conducted in December 1991, 45 percent of respondents claimed that their standard of living had declined; only 6 percent claimed it had improved.[33] Only 25 percent of the population expresses satisfaction with the domestic political situation, and only 20 percent with the economy. Most supportive of the radical economic reform are younger respondents and those with higher education. Negative responses in all subject categories were higher in Slovakia than in the Czech lands. Not surprisingly, a French public-opinion research institute found in a cross-national interview project that the Czechs and the Slovaks have a much greater interest in emigrating than do Poles, Hungarians, and Russians. Among all respondents, 17 percent were either determined to leave the country or were seriously considering such a step; 57 percent were unsure whether they would remain behind.[34]

Despite these gloomy images, a relative quiescence still prevails. The absence of disruptive social unrest is to be considered one of the main successes of the reform thus far. Among the contributing factors are the rather favorable international conditions (world prices for oil are lower than expected; foreign loans have been available), the tradition of compliance cultivated by the communist regime, public acceptance of the necessity and inevitability of the austerity course, and, last but not least, Václav Klaus's charm and power of persuasion.

However, labor peace is threatened by the growing difficulties of the unprofitable heavy industrial enterprises. In the run-up to the June 1992 parliamentary elections, the leftist parties, and the Communist party in particular, have stressed populist themes and have made unfulfillable promises of full employment and abundance for all. Some of the trade unions in the most endangered industries (armaments and electronics in Slovakia, electronics in East Moravia, smokestack industries in North Moravia) have called for strikes and strike-alerts.

With the demise of the police state and the disappearance of fear, distrust of law-enforcement agencies broke into the open, along with a serious crime wave. In 1990, the crime rate nearly doubled, and robberies rose fivefold. At least 80 percent of street crimes in Prague are committed by Gypsies, a statistic that reinforces public prejudices against that group.[35]

Indeed, racism, once considered a problem affecting distant lands, has become a matter of everyday concern, especially with regard to the Gypsy population. In his 1992 New Year's address to the country, President Havel stressed his grave concern over the unexpected phenomenon of intolerance.[36] Ethnic clashes and pogrom-like violence are reported, and open expressions of unabashed racial hatred are becoming commonplace—the ministry of interior even received an application for the registration of a Czech chapter of the Ku Klux Klan. Chauvinistic groups call for the expulsion from the country of not only the Gypsy minority (estimated to number 800,000), but also of anyone with a different color or accent.

Changing Constellation of Parties

The Civic Forum failed to survive for long after its 1990 electoral victory, but three parties having more traditional structures evolved from its ranks. One is the Civic Movement (*Občanské hnutí*—OH), which is left-leaning and led by the "socialists with a human face," i.e., party members expelled in 1968. The Civic Democratic Alliance (*Občanská demokratická aliance*—ODA) and the Civic Democratic Party (*Občanská demokratická strana*—ODS) have a right-of-center orientation. The latter is a creation of finance minister Klaus, who unabashedly characterizes the ODS as "the strongest, most promising party in the entire postcommunist Europe."[37] The party has vigorously solicited support at the grass roots; in 1991, it became the party with the largest following in the country.

A paradox lurks behind this development: Havel and the dissidents who were instrumental in disposing of the old regime of Gustáv Husák and Miloš Jakeš share a number of pro-socialist values. By contrast, those who quiescently served the communist masters now pursue rightist, free-market policies. Havel, who does not hide his distaste for political parties and their squabbling, put himself—as did Lech Wałęsa in Poland—above all parties, without, however, affecting further

[32] *Rudé Právo*, Oct. 17, 1990; *Lidové Noviny*, Nov. 6, 1991.
[33] *Lidové Noviny*, Jan. 10, 1992.
[34] Ibid., May 8 and 16, June 7, and Sept. 29, 1991.
[35] Ibid., Sept. 30, 1991 and Jan. 14, 1992; *Respekt*, May 27, 1991.
[36] *Svobodné Slovo* (Prague), Jan. 2, 1992.
[37] *Reportér*, Dec. 5, 1991.

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political fragmentation. "The specter of particularism is haunting postcommunist Europe," remarked the insightful commentator Jan Urban, further adding that an "undemocratic domination by the Communist party may well be replaced by a similarly undemocratic nongovernment (*ne-vláda*) of multiple political parties."[38]

The pluralization of the political landscape provided an opportunity for the formation of extremist groups, notably the vociferously anticommunist Republican Party. Its leader is Miroslav Sládek, a former official of the central censorship office. His relentless assault on the new democratic institutions is supported by several scandalous tabloids, in particular by *Špigl* (the title pirated from the influential German weekly *Der Spiegel*), which numbers former secret police officers among its editors.[39]

The militantly negative messages of the radical Right are at times indistinguishable from those of the radical Left. The Communist party survived the first phase of its debacle in fairly good shape. After an initial period of prudent timidity, the Communists reemerged with defiance and a prosecutorial indictment of the entire policy record of their successors. They characterize the ongoing economic reform as "one of the biggest frauds in human history" and the new law on land ownership as being much too capitalist. They have even gone so far as to name the day and the hour of the country's collapse.[40]

Ironically and perhaps ominously, after the breakup of the Civic Forum, the communists changed their role from "constructive opposition" to "qualified opposition."[41] The central party office distributes diskettes to precinct organizations with conspiratorial advice as to tactics and strategy concerning the June 1992 elections. Conspiratorial stratagems blend dialectically with rationalizations of the November 1989 defeat, which is now presented as not a fiasco at all but a victory of the party's progressive forces. The height of the Communists' chutzpah is encapsulated in the following slogan: "Do you wish to avoid further revolutionary upheavals? Vote for those who have learned their lesson —vote the Communists."[42]

However, despite an effort to recruit new followers, the party's membership has declined to 413,000 dues-paying members, barely one-fifth of its pre-November 1989 total. Less than half bother to attend party meetings. A majority of the party's members has reached retirement age.[43]

The Communists' search for coalition allies has thus far all but failed. Their one "success" is the conclusion of an alliance with a new group called Democratic Left (*Demokratická levice*), which includes a number of individuals who have a rather bizarre political past.

The Czech and Slovak branches of the party have severed their links to one another. In the Czech Republic, the party retained the traditional adjective "Communist," whereas in Slovakia, members adopted a new name—the Party of the Democratic Left (*Strana demokratické lavice*—PDL). Its leader is Peter Weiss, a young, intelligent, personable novice. At the first congress of this new party in December 1991, more than three-quarters of the delegates were university graduates who all claimed to have rejected orthodox Marxism-Leninism. The party declared its allegiance to the European Left with the goal of joining the Socialist International. Only some 50,000 of the original 500,000 members of the Slovak Communist party joined the new party.[44]

Slovaks versus Czechs

Since the velvet revolution, the two parts of the federation have embarked upon substantially different political paths: a rather conservative democratic orientation in the Czech Republic, and a socialist-leaning orientation with strongly nationalist, even chauvinistic, overtones in the Slovak Republic. The two neighboring nations, which speak very similar languages, increasingly accentuate what divides them rather than what unites them.

The Czechs, who are twice as numerous and economically more advanced, have developed a different political, cultural, and national mentality than the Slovaks, as is shown by recent history. During World War II, the Czechs were one of Hitler's victims, while the officially independent Slovaks were Hitler's allies. After the war, a considerable proportion of the Czechs did not resist the lure of Stalinism. Moreover, it was the Prague—not Bratislava—Spring that prompted the Soviet invasion in 1968. In 1977, the human rights manifesto Charter 77 was signed by some 1,000 individuals, of whom only four were Slovaks. Many Slovaks viewed this pro-democracy movement as aimed at discrediting President Gustáv Husák simply because he was a Slovak. Finally, the upheaval in 1989 that ended the

[38] *Lidové Noviny*, Nov. 22, 1991.
[39] *Mladá Fronta* (Prague), Sept. 28, 1990; *Respekt*, Oct. 16, 1990; *Lidové Noviny*, June 19 and July 10, 1991.
[40] *Lidové Noviny*, May 11 and 14, 1991. The collapse of everything was announced for July 12, 1991 at 2:30 p.m. by *Špigl* (Prague), May 11, 1991.
[41] *Lidové Noviny*, Dec. 13, 1991.
[42] Ibid., Oct. 18, 1991.
[43] Ibid., July 11, Oct. 2, and Nov. 25, 1991.
[44] *Reportér*, Jan. 8, 1992.

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Slovak Premier Ján Čarnogurský.

—Eastfoto.

communist era was very much a Czech affair. Anticommunism has never been fully accepted in Slovakia. About 80 percent of Slovaks are opposed to a market economy and prefer what is increasingly termed "national socialism."[45]

In only a little more than two years, the Slovak ally of the Civic Forum, Public Against Violence, lost most of its public support, and it is now near the point of extinction. The first postcommunist premier of Slovakia was Vladimír Mečiar, a former Communist and a formidable, rather vulgar, personality who succeeded in winning widespread support as a populist and a nationalist. He ran the government in the style of a company manager, trying to wrestle the maximum amount of concessions and subsidies from a supposedly hostile federal center. But Mečiar overplayed his hand by attempting to exploit his access to secret police files. He negotiated with Soviet generals without the knowledge of the federal government and made a series of irresponsible statements, brushing off all criticism with the astonishingly arrogant argument that "Those who do not know me personally have no right to comment on my words and actions."[46]

Against the wishes of the overwhelming majority of the Slovak public, Mečiar and his cabinet were voted out of office in April 1991 by the Slovak parliament. The ousted premier founded his own party, the Movement for a Democratic Slovakia (*Hnutie za demokratické Slovensko*—HZDS). With its resolute antifederalist stand, the HZDS has become the most popular party in Slovakia.

Mečiar's successor as premier is former political prisoner Ján Čarnogurský, who is now head of the Christian Democratic Movement (*Krestianské demokratické hnutie*—KDH). Čarnogurský has also used nationalistic rhetoric. Moreover, his views of the federation appear to be in flux. At times, he has endorsed it; at other times, he has repudiated it.

"Nationalism is the last stage of communism" is a frequently heard assessment in Czechoslovakia. Most Czechs are inclined to view nationalism as the expression of a "collective inferiority complex," but in Slovakia it is cherished as a fundamental value to which other principles are subordinated. Čarnogurský has rejected liberalism in large measure because he deems its source to be Prague. Budapest also comes in for criticism (the Hungarian minority in Slovakia numbers 600,000 people). By contrast, Ukraine is considered a likely ally of Slovakia.[47]

Slovaks have taken many actions that have not only annoyed Prague but also the outside world, the United States Congress included. Slovakia commemorates as a holiday March 14—the day in 1939 when the Hitler-sponsored fascist state was founded. A memorial plaque honoring the executed war criminal Jozef Tiso, whose government sent tens of thousand of Jews to the gas chamber, was unveiled in October 1990, on the very day the Israeli president was making a state visit to Prague.[48] Slovak nationalists rejected *in toto* the democratic record of prewar Czechoslovakia, and glossed over Slovakia's acts of wartime genocide. Current anti-Semitic moods not only are expressed in the vandalism of Jewish cemeteries but also find their way into the pages of the Slovak press. The anti-Semites' first prominent target was the democratic politician Fedor Gál, a Jew born in a Nazi concentration camp. He received numerous threatening letters, was forced to seek police

[45]Even President Havel employs this term. See *Lidové Noviny*, Mar. 18, 1991. According to a survey conducted in December 1991, 87 percent of the Slovak public expressed dissatisfaction with the socio-economic situation in the country. Ibid., Jan. 7, 1992.

[46]*Studentské Listy* (Prague), April 1991.

[47]Čarnogurský's position on this issue was reported by Premier Čalfa in *Lidové Noviny*, Dec. 6, 1991.

[48]The US Congress's Commission on Security and Cooperation in Europe sent a letter of concern in connection with the plaque honoring Tiso. It urged Čarnogurský to "condemn unequivocally the fascist genocide which the Tiso regime symbolizes." *Československý Týdeník*, Jan. 30, 1992.

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A Slovak man wearing the uniform of the former Slovak fascist state (1939–45) stands next to a row of Slovak flags during a rally held in Bratislava on March 14, 1991, to demand independence for Slovakia.

—Reuters/Bettmann.

protection, and subsequently left Slovakia.[49] Pro-federation Slovaks are threatened with lynching and accused of "not speaking Slovak but Hebrew."[50] Čarnogurský declined to comment on the publication of the "Protocols of the Elders of Zion,"[51] but his government initiated criminal action against a novelist for having written a short, allegedly blasphemous story concerning Jesus.

Prague is accused by right-wing nationalists of practicing a "monstrous, fascist, genocidal theory aimed at the extermination of the Slovak nation."[52] Havel, honored abroad, was described by one Slovak source as the "most odious personality of the 20th century, second only to Lenin."[53] Characterized as a "swinish Jew," he is charged with violating international law and the UN Charter, and is accused of conspiring with sinister foreign forces to impoverish Slovakia.

"The state is falling apart. Judging from what is left of Czechoslovak commonness, we may well say that the state has already collapsed," wrote well-known publicist Jan Dobrovský, adding that the purpose of the protracted ongoing negotiations over the federation is not to save it but to find a formula for its demise.[54] The obituary may be premature, but the crisis is serious. Slovakia lacks a broad democratic base, and all major Slovak parties reject the federation in its present form. Their goal is either confederation or outright independence.

Why have events taken this course? Slovaks' fear of radical economic transformation is a significant factor, but not the only one. Slovakia has not yet had the opportunity to fulfill its aspirations to nation-statehood—and "everyone has the right to live his 19th century."[55] More ominously, the separatist, extremist moods are fomented mainly by the old *nomenklatura*. These individuals, who have been compromised by their secret-police connections and service to Soviet interests, are now using nationalistic rhetoric to undermine the very democracy that deprived them of their power.

The gargantuan task of transforming the country into a functioning pluralistic democracy is seriously handicapped by the time- and energy-consuming search for a mutually acceptable formula of coexistence.[56] The

[49]"Gál's Talmudic gang!" charged the periodical *Nový Slovák*, which defined the Talmud as a "diabolic teaching asserting that it is permissible to cheat the Aryans" (cited by *Lidové Noviny*, Apr. 19, 1991). "The principles of parliamentary democracy are not yet genetically implanted in us," commented the hounded Gál. His point is illustrated by the demand of the Slovak National Party for the adoption of a law to enable prosecution of those accused of offending Slovak religious feeling. Ibid., Jan. 7, 1992.

[50]*Verejnost* (Bratislava), Oct. 8, 1980. Among the prominent targets are Slovak democrats Marcel Strýk and Jozef Bakšay. "I survived communism and will survive fascism," Bakšay responded in a lengthy interview in *Lidové Noviny*, Nov. 2, 1991. See also *Respekt*, Jan. 7, 1992.

[51]In fall 1991, a private publishing house in Bratislava by the name of Agres printed 10,000 copies of "The Protocols" under the title *Kniežatá zloby* (The Aristocrats of Malevolence).

[52]In an appeal of the organization of Slovak professional soldiers in *Slovenský Národ* (Bratislava), quoted by *Forum*, Apr. 10, 1991.

[53]*Lidové Noviny*, May 31 and Oct. 9, 1991; *Zmena* (Bratislava), No. 56, 1991.

[54]*Lidové Noviny*, Nov. 13, 1991.

[55]This craving for national identity at times resembles an encounter with the absurd. According to the historian Milan Stanislav Durica, based in Italy, Slovaks were the first nation in Central Europe to establish their own state. See *Slovenský Národ*, Oct. 13, 1990. Such extravagant claims prompted a Czech response to the effect that Adam and Eve, too, were Slovaks.

[56]The difficulty is compounded by the structure of the federal parliament, which consists of two chambers, each with 150 deputies. In one of the chambers (House of the Nations), the Czech and the Slovak republics have equal representation. Passage of a major law requires three-fifths of the votes cast in both the Czech and Slovak parts of this chamber, which have 75 deputies each. Consequently, a mere 31 deputies—one-tenth of the total—may paralyze the lawmaking process. This leverage gives the separatists the power to press for further concessions.

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original eagerness on part of the Czech government, its conciliatory Premier Petr Pithart in particular, to obtain agreement with Bratislava on the future of the federation, prompted numerous concessions. The concessions generated further Slovak demands for the transfer of power from the federation to the republics—as the Slovaks sought a separate army, a separate foreign ministry, and their own national bank.

In spring 1990, Civic Forum ran on a promise to adopt three constitutions—a federal one, and one for each of the republics—by June 1992, the date of the new parliamentary elections. Barring a miracle, the deadline will not be met. Czechs and Slovaks disagree over whether the federal constitution or the republic constitutions ought to have primacy, and over the sequence of their adoption. Bratislava insists on concluding a treaty between the two republics to establish the federation, thus implying that ultimate sovereignty rests in the republics. Prague points out that such a treaty would be appropriate only between independent, sovereign subjects of international law. By November 1991, the position of the two parties was described as irreconcilable.[57]

Czech-Slovak disagreements spilled over into the international arena during negotiations over a German-Czechoslovak treaty. This accord, intended to establish good-neighborly relations and come to terms with the unpleasant experiences of the Munich pact and the expulsion of Sudeten Germans in the aftermath of World War II, reaffirms both the annulment of the Munich pact *ab initio,* and the principle of the continuity of the Czechoslovak state. Čarnogurský protested the continuity principle as one intended to humiliate Slovakia by implicitly denying its wartime existence as a (nominally) independent state. This extraordinary reaction provoked sharp responses from Prague. Slovak nationalists were reminded that an ex post facto recognition of the wartime Slovak state would return Slovakia to a state of war with the United States, open the issue of reparations, and call into question the validity of Slovakia's border with Hungary.[58]

Wrangling over the budget and redistribution of resources has further fueled the fires. As it did in 1990, the Czech government in 1991 provided Slovakia with a subsidy, despite a public pledge that it would not do so. This step angered the Czech public, but did not placate the Slovaks, most of whom continue to believe that they are being shortchanged by Prague.[59]

Another irritant occurred in connection with the death of Husák in November 1991. Leading representatives of the Slovak Republic attended the funeral and called for one minute of silence in the parliament to honor his memory.[60] In turn, Czech Deputy Karel Srp initiated criminal proceedings against Čarnogurský and František Mikloško, the speaker of the Slovak parliament, for the felony of propagating fascism and the abuse of trust by a public official.

Finally, on September 13, 1991, 35 deputies to the Slovak parliament directly took up the question of independence by issuing "An Initiative for Sovereign Slovakia." The declaration was soon signed by many other Slovak officials, including Mečiar. One day later, a response—"An Appeal for a Common State"—was issued and signed by 950 prominent intellectuals and artists. Deputies in the Slovak parliament also introduced a measure declaring Slovakia independent—it failed to pass by one vote.[61]

Slovak thinking on the future of the federation is hazy. When pressed for specifics, those Slovaks who profess their support for a common state present a program incompatible with what could be considered a federal arrangement.[62] Public-opinion surveys present a strange picture: most Slovak respondents declare a preference for the federation and at the same time support those parties that reject it. The overwhelming majority of the Slovak mass media—the state-owned television included—follow a vigorously nationalist line.

In an effort to untangle this conundrum, Pavel Tigrid, a prominent publicist, proposed a referendum to decide the future of the federation once and for all. Within a month, petitions with over 2 million signatures, including 200,000 from Slovakia, were collected in support of the referendum and delivered to the federal parliament. In addressing the federal parliament on the issue, Havel called upon it to formulate a referendum offering the voters only two choices—for either a common state or separation.

Surprisingly, Čarnogurský's party and Mečiar's party rejected outright any such step. Mečiar in particular condemned the initiative as one that would be misunderstood and could endanger Slovakia's national integrity.[63]

In the end, the federal parliament could not reach a consensus on the wording of the referendum. The pub-

[57]Jan Kalvoda, deputy chairman of the Czech parliament, and a rising political star, in *Lidové Noviny,* Nov. 9, 1991.

[58]Ibid., Sept. 27 and Oct. 2, 1991.

[59]Ibid., Sept. 19, 1991. In 1991, there was an increase from 46 to 60 percent in Slovak respondents who believe that Slovakia is being shortchanged by Prague. For the budget matters, see *Reportér,* Dec. 12, 1991.

[60]*Lidové Noviny,* Nov. 21, 22, 25, and 27, 1991. Čarnogurský defended his participation, hailing Husák as an outstanding Slovak patriot.

[61]*Polygon,* No. 7, November 1991, pp. 7–9, and No. 8, December 1991, pp. 7–9.

[62]*Lidové Noviny,* July 13, Oct. 1 and 24, and Nov. 1, 1991.

[63]*Polygon,* No. 7, November 1991, p. 7; *Reportér,* Nov. 28, 1991; *Lidové Noviny,* Oct. 30, Nov. 14 and 16, 1991.

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lic, however, resorted to a novel means of expressing its views in what was known as the "light-bulb referendum." At 7:40 p.m. on November 24, those in favor of the referendum switched on two 100-watt bulbs. The sudden increase in energy consumption registered the following unscientific results: support for the federation in the Czech Republic was expressed in 2.7 million households (8.1 million population, 80 percent of the total), and in the Slovak Republic in 450,000 households (1.35 million population, 37 percent of the total). The separatists, pursuing their own agenda, brushed aside this bizarre episode.[64]

A group of Slovak legislators authored a no less bizarre initiative with their appeal to the United Nations "to send its observers [to] secure objective, direct, unmanipulated information for the international community about the development of the political situation in the ČSFR with regard to Slovakia." Such information was said to be needed to oppose a Czech campaign "that deforms the image of Slovakia and that is to be termed an intentionally organized attempt at the moral genocide of the Slovaks in the eyes of the world public."[65] In the light of other pressing world problems, it is rather unlikely that the UN Secretary General will dispatch a battalion of analysts to Czechoslovakia to study this issue.

Prospects

In his 1991 New Year's address, Havel declared that more was accomplished in the year that had just passed than in the previous 40. The foreign occupation army was leaving, the country had regained its sovereignty and respect in the world, society was free, and a radical transformation of the economy was under way. The main task was to adopt new constitutions for the federation and the republics.

A year later, the constitutions have not been adopted. The public is frustrated, impatient, tired, and prone to pessimistic judgments, to which federal foreign minister Jiří Dienstbier gave vent:

It is not only a matter of the legal order. Absolutely everything is in disorder, and that also includes the economic reform. . . . In order to remake in two years the entire legal system, it would require the parliament to adopt 600–800 fundamental laws. Obviously, this is impossible to accomplish.[66]

Havel himself has confided that "Everything is infinitely more complicated than I had anticipated."[67] He is criticized for his dislike of party politics and his exceedingly magnanimous approach toward the *nomenklatura*. In many cases, having lost political power, they were allowed to keep, and in many instances to increase, their economic power. A combination of confusion, incompetence, and malevolence put a substantial part of the property amassed by the Communist party beyond control of the state. "The Communist party formally disavowed its leading role but in fact it intends to keep it. . . . We are not like them, we used to shout in the Wenceslas Square. But what shall we do when they have not changed at all?" asked Jiří Hanák, one of the country's most astute journalists. "We are not like them. We are stupid," he added some months later.[68]

During the first 18 months of the postcommunist period, a total of 202,295 political victims of the previous regime were rehabilitated, but of the 37,805 applications for compensation, only 7,374 had been processed.[69] The perpetrators of old injustices continue to draw much higher pensions than do their victims. The "velvet revolution" has begun to be decried as the "stolen revolution."

The August 1991 coup attempt in the Soviet Union brought renewed vigor into the ranks of former power-holders in Czechoslovakia thirsting for revenge. However, their celebrations (such as the one that took place in the villa of the Stalinist Vasil Bilak) proved premature and catalyzed efforts to hold the former *nomenklatura* officials accountable for their crimes. A law was passed in early October allowing dismissal from positions of responsibility those who had worked as secret-police informers.

In addition to the crisis of the federation, other unresolved issues include an electoral system that satisfies no one, and the structure of the federal legislature, whose work can be obstructed by a small group of deputies. The federal parliament has moved from totalitarian unanimity to extreme fragmentation, an unwillingness to compromise, and a fairly low level of civility. "My dream is to witness a big fistfight here, all 300 of us taking part," mused one ODS deputy.[70]

After the failure of the referendum initiative, Havel decided to appeal to the country through an address to the federal legislature. He began with the words "I do

[64] *Lidové Noviny*, Nov. 23 and 25, 1991; *Polygon*, No. 8, December 1991, pp. 7–9.
[65] *Polygon*, No. 8, December 1991, p. 8; *Reportér*, Nov. 28, 1991.
[66] Interview in *Reportér*, Nov. 28, 1991.
[67] *Respekt*, Feb. 19, 1991.
[68] *Lidové Noviny*, Mar. 14 and July 21, 1991.
[69] Ibid., Jan. 8, 1992. Absurdities have characterized the process. A number of former political prisoners have had some parts of their sentences annulled, while other parts remain on the record. By contrast, the treatment of former assassins who murdered on orders of the party—Miroslav Pich-Túma for example—has been lenient. See ibid., Nov. 28, 1991.
[70] M. Hruška in ibid., Sept. 27, 1991.

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not know whether Czechoslovakia is condemned to fall into legal chaos, a permanent constitutional crisis, a wild disintegration, or to become the domain of political adventurers. But I know that against such an alternative it is necessary to fight with all our power." He then presented several proposals having to do with ratification of a new constitution, a new electoral system (a combination of the proportional and the single-member-district systems), and a new structure for the federal parliament (one chamber with 200 members and a Federal Council with 30 members). He also asked for a mandate to call a popular referendum whenever parliament fails to act on legislation of major importance. "The issue before us is whether we shall become a civilized European democracy or a contemptible area of incessant conflicts," Havel concluded.[71]

The public's response was positive. Some political parties reacted favorably, albeit with various reservations. The Slovak nationalists were completely opposed, thus effectively killing Havel's proposals.

"In case a substantial part of us will not wake up by June [1992, when parliamentary elections are to be held], in autumn we may once again embark upon the road of building socialism with a human face," warned a Prague daily.[72] This is not likely to happen. In the Czech Republic, Klaus's conservative ODS leads with an anticipated 20 percent of the vote, followed by the Social Democrats and the Communists with 10 percent each. The other 60 percent of the electorate supports various parties, most of which are unlikely to pass the 5 percent threshold necessary to gain seats in parliament. Because the Social Democrats ruled out in advance any coalition with the Communists, the formation of a new government is likely to fall to the ODS, which will try to form a cabinet in alliance with some minor groups of conservative orientation.[73]

In the Slovak Republic, the picture is radically different: Mečiar's opposition HZDS is in the lead (with 22–30 percent of the likely vote), followed by the SDL (12–16 percent), Čarnogurský's KDH (13–16 percent), and the militantly separatist Slovak National Party (12 percent). The pro-federation VPN lingers far behind at below 5 percent. Mečiar, as the future head of government, is likely to form a coalition with the leftist SDL and/or the Slovak National Party.[74]

Formation of a government on the federal level by the predominantly conservative Czech coalition and a leftist Slovak coalition is very difficult to visualize. Moreover, the federation will cease to make sense on economic grounds, if radical reform proceeds in the Czech Republic while the old system persists in Slovakia.

What does all this mean for the future of the ČSFR? Federal Deputy Premier Pavel Rychetský gives the federation a 50 percent chance of survival. Čarnogurský told the Paris newspaper *Libération* that Slovakia will be independent by the year 2000. In the same source, the Czech minister Tomáš Ježek expressed his unequivocal support for ending the federation.[75] For his part, Jaroslav Veis, editor-in-chief of the very influential Prague daily *Lidové Noviny*, along with his deputy editor Jiří Hanák, summed up the future in the following manner: "Does [the federation] still make any sense? It does—under one condition: a miracle would have to happen."[76]

[71] Ibid., Dec. 4, 1991.
[72] *Český Deník*, cited by *Československý Týdeník*, Jan. 30, 1992.
[73] *Reportér*, Jan. 8, 1992.
[74] Ibid., Jan. 16, 1992; *Československý Týdeník*, Jan. 16, 1992; *Lidové Noviny*, Oct. 4, 1991.
[75] Jan Obrman, "Further Discussions on the Future of the Federation," RFE/RL Research Institute, *Report on Eastern Europe*, (Munich), Sept. 20, 1991, pp. 6–10; *Lidové Noviny*, Nov. 15, 1991.
[76] *Lidové Noviny*, Oct. 29, 1991.

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The Politics of Transition in Bulgaria: Back to the Future?

Plamen S. Tzvetkov

The Bulgarians are known, among other things, for their peculiar way of nodding their "no's" and shaking their heads when they mean "yes." In this they are different not only from their immediate neighbors—the Turks, Greeks, Serbs, and Romanians—but also from all other European nations. Similarly, Bulgaria's transition out of the communist system seems to fit neither the Central European nor the Balkan pattern. True enough, until the summer of 1990, political developments in Bulgaria did not differ substantially from those in Serbia, Montenegro, Albania, or Romania. Like the communists elsewhere in the Balkans, after the overthrow of Todor Zhivkov in late 1989, the Bulgarian communists succeeded in remaining in power by liberalizing their rule. What is more, the *nomenklatura* managed to preserve its position in the administration and the economy. Finally, in the June 1990 elections to the National Assembly, most of the votes went to the ruling Bulgarian Socialist (ex-Communist) Party. Their support came primarily from the elderly, less educated, and politically inactive strata living in the small towns and villages.

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At the same time, however, the results of the June elections clearly indicated that political developments in Bulgaria had begun to deviate from the Balkan pattern. The communists managed to grab only 47.15 percent of the votes, and thus failed to attain a two-thirds majority in the parliament. More than one-third of the seats went to the newly formed Union of Democratic Forces, although it was faced with the very difficult task of building an organization at the same time as it was conducting an election campaign. The Union is backed by the active part of the population—intellectuals, youth, and industrial workers. For their part, most activists and supporters of the Union of Democratic Forces were angered by the electoral results, especially when they learned about a number of cases of voters being manipulated or threatened by the local *nomenklatura*.[1]

The Protracted Transition

The elections were immediately followed by a wave of student strikes and spontaneous street demonstrations that finally led to the resignation of the last Communist head of state, President Petŭr Mladenov. In August 1990, the leader of the Union of Democratic Forces, Dr. Zhelyu Zhelev, was elected in his place, although the communists could still insist that one of theirs, General Atanas Semerdzhiev, be named vice president.

A few months later, in December 1990, economic problems provoked a general political strike that forced the last one-party communist government under Prime

[1]Political affiliations are more easily traced in small towns and villages: the people there were simply told that they would be deprived of essential supplies if they voted for the opposition. After June 1990, a number of Muslim villages in southern Bulgaria were in fact deprived of supplies when it was discovered that they had supported the Movement for Rights and Freedoms or the Union of Democratic Forces.

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Minister Andrey Lukanov to resign. A new government under Dimitar Popov, who was unaffiliated with any party, then took power.

After agreeing to a noncommunist president and a coalition government, the communist members of parliament adopted the tactics of delay, seeking to postpone the next general election as long as possible. In response, a group of about 50 deputies from the Union of Democratic Forces walked out of the National Assembly in May 1991. About two-thirds of the opposition deputies remained in the parliament, arguing that a more conciliatory attitude toward the communists might win the latter over to democracy. But the overwhelming majority of the activists and supporters of the Union of Democratic Forces clearly approved the stance taken by the "parliamentary strikers." At a national conference of the Union in late spring 1991, those who refused to leave the National Assembly were expelled from the organization.

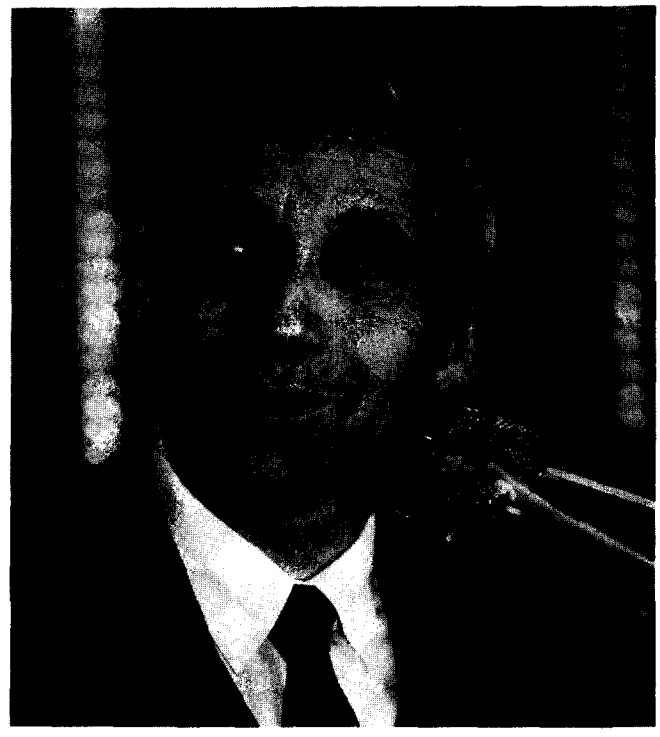
The main task of parliament was to adopt a new constitution to replace the one imposed by the communist regime. The new constitution was ratified in July 1991, and despite its étatist flavor and its imperfect mechanism of checks and balances among executive, legislature, and judiciary, it may support a working democracy.

The democratic constitution opened the door for new parliamentary elections, which took place on October 13, 1991. More than 90 percent of the voters turned out to give the Union of Democratic Forces 34.36 percent of the votes and 110 out of 240 parliamentary seats—a slight plurality. The communists came in second with 33.14 percent of the votes and 106 seats, while the Turkish minority's Movement for Rights and Freedoms came in third with 7.55 percent of the votes and 24 seats.[2] On November 8, 1991, the Union of Democratic Forces and the Movement for Rights and Freedoms formed Bulgaria's first entirely noncommunist government since September 9, 1944.

The presidential elections, held in two rounds on January 12 and 19, 1992, had similar results. As might have been expected, incumbent President Zhelev was the nominee of the Union of Democratic Forces. His vice-presidential candidate was Blaga Dimitrova, another former dissident and prominent activist in the opposition Clubs for Democracy. Zhelev's victory freed the state from its last communist element, namely, Vice President Semerdzhiev.

Balkan Traditions

By becoming the first communist country in the Balkans to put an end to communist rule, Bulgaria moved considerably closer to Poland, Czechoslovakia, and



Bulgarian President Zhelyu Zhelev.

—AP/Wide World.

Hungary, but the continued strength of the communists in the parliament is more typical of the Eastern Orthodox and Muslim part of Europe. In 1990, a Hungarian scholar pointed out that political developments in the Eastern Orthodox part of communist Europe starkly contrasted with developments in its Catholic and Protestant parts.[3] Communism found more receptive soil in Eastern Orthodox cultures than in Roman Catholic or Protestant ones. In medieval Western and Central Europe, there was private ownership of land and an incipient pluralism as the Church competed with the state for political supremacy. By contrast, the Byzantine Empire, medieval Bulgaria, and Muscovite Russia were characterized by state ownership of land, and the Orthodox Church was an integral part of the state and administrative structure. According to some scholars, Thomas More's "Utopia" might have been influenced by Byzantine and medieval Bulgarian law.[4] In any case, the barracks society that More dreamt of was a logical

[2]"SDS Wins by Skin of Teeth," *The Insider* (Sofia), No. 11, 1991.

[3]László Farkas János, "From Byzantium to Moscow," ibid., No. 1, 1990, p. 45.

[4]See Yordan Nikolov, "Bulgaria in the European Reformation," in *Purvi mezhdunaroden kongres po bulgaristika. Dokladi. Bulgarskata durzhava prez vekovete* (First International Congress of Bulgarian Studies. Presentations. The Bulgarian State Through the Centuries), Sofia, The Bulgarian Academy of Sciences Press, 1982, Vol. 1 , p. 336.

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On October 14, 1991, supporters of the Union of Democratic Forces (SDS) celebrate early returns showing a likely victory for their party in Bulgaria's parliamentary elections.

—AP/Wide World.

extrapolation from the realities that then existed in the East.

Before the 15th century, the Byzantine Empire held sway in the Balkans. From the 15th century to well into the 19th century, the region was in the grip of the Ottoman Empire. The main response of the Balkan peoples to this foreign occupation was adaptation to and merger with whatever power structure happened to exercise control. Bulgarians, Romanians, Serbs, and Albanians took the same approach after their occupation by the Soviet Army and communist guerrilla forces toward the end of World War II. The Bulgarian Communist Party, for instance, increased its membership from about 15,000 people in the fall of 1944 to almost half a million by 1948.

Another form of adaptation was to develop connections with some member of the ruling party. Kinship often provided the only means of survival in the face of the mass executions that accompanied the communist seizure of power. At a later stage, when the free market economy was replaced by a state-owned and centrally-planned system, connections became an extremely important way of gaining access to otherwise unavailable goods and services. That kind of personal dependence on the power structure was no doubt characteristic of Central Europe as well, but thanks to the strong residues of a predominantly patriarchal mentality and to the absence of a more independent cast of mind, the anticommunist resistance in the Balkans was much weaker and less effective than in Central Europe.

The political culture of the Balkans might explain the relative success of the Bulgarian Communist Party in June 1990, but it seems to be less relevant when dealing with subsequent developments. Within 16 months, the Bulgarians not only drove the ruling party from power, but they succeeded in doing so without violence and without transgressing the rules of parliamentary law. The contrast is even more striking if events in Bulgaria are compared to the civil war in Yugoslavia, to the violent street clashes and hunger riots in Romania and Albania, and to the dramatic upheavals in the former Soviet Union.

Countervailing Legacies

Despite the legacy of despotism, a close look at Bulgaria's prewar traditions reveals a considerably stronger experience in local self-government and parliamentary life than was the case in any other Eastern Orthodox country. In this respect, the role of the Church

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has been crucial. When the Ottoman Turks conquered Constantinople in 1453, the Orthodox Patriarchate remained an integral part of the Sublime Porte's state and administrative structures, but there was also a substantial contrast with the Byzantine experience: the ruler no longer shared the religion of his Christian subjects. The Sultan interfered much less in the affairs of the Church than had the Byzantine Emperor, while the Church itself preserved its important functions in the field of private law. The priests, especially in the small towns and villages, actually began to be elected by their parishioners instead of being imposed by some local lord, as during the time of the Bulgarian tsardom and the Byzantine Empire.

In Orthodox areas of Eastern Europe, the presence of an autocephalous national church has long been a symbol of a nation's distinctiveness. This is why the struggle the Bulgarians launched in the 19th century for separation from the Patriarchate of Constantinople and for a national church of their own was much more a political than a religious cause. Moreover, the first *sŭbranya* (national assembly) was elected in the course of that campaign. In other words, the Bulgarians had a parliament of their own even before becoming a sovereign nation, while their neighbors tended to achieve national independence through gradual increases in the personal power of their rulers. As a natural consequence of these developments, the Constituent Assembly, convened in 1879 after the end of Ottoman rule, adopted one of the most democratic constitutions of the time. Established as a constitutional and parliamentary monarchy, Bulgaria became the fourth country in Europe (after Switzerland, Denmark, and France) to introduce universal male suffrage.

On the other hand, however, socio-economic backwardness and political immaturity favored authoritarian tendencies. In addition, efforts to incorporate Macedonia and Thrace, which had been acquired by Serbia and Greece in the Second Balkan War of 1913, led to Bulgaria's alliance with the Central Powers and its subsequent catastrophic defeat in World War I. The ensuing moral, political, and economic crisis resulted in Tsar Boris III imposing his personal rule in the second half of the 1930's.[5]

On the eve of the Soviet invasion at the end of World War II, the opposition forces, who were supporters of parliamentary democracy, formed a government, released all political prisoners, and proclaimed the full restoration of the 1879 constitution. As was the case in other Central and Southeast European countries, the occupation of Bulgaria by the Red Army in September 1944 and the subsequent forced Sovietization brutally interrupted the country's natural development.

More than four decades of intense communist indoctrination have not fundamentally changed the Bulgarian mentality. According to one of the first public opinion surveys taken after Zhivkov's ouster, more than half of all Bulgarians are religious believers. Furthermore, the Bulgarians have preserved the peculiar combination of egalitarianism and individualism that characterized the nation before 1944, when it consisted mostly of small private farmers. Inevitably, this egalitarianism and individualism will diminish support for the Bulgarian Socialist Party. True enough, in June 1990, many people preferred to vote for "the devil you know," i.e., the communist rulers, but the October 1991 results were much less favorable to the communists. Symptomatic of the decline in the popularity of the communists, Velko Vulkanov, the communist-backed candidate for president in January 1992, was not a member of the party. What is more, his vice-presidential running mate, Rumen Vodenicharov, was a former activist of the Union of Democratic Forces.[6]

Another important reason for the failure of the Bulgarian communists to remain in power like their counterparts in Romania, Serbia, and Albania was the legacy of Bulgaria's humiliating subservience to Moscow. Nicolae Ceauşescu of Romania, Tito of Yugoslavia, and Enver Hoxha of Albania were considered the East European champions of national communism, while Todor Zhivkov boasted about being the most faithful "ally" of the USSR, and gained notoriety for his plans to transform Bulgaria into the "16th Soviet republic." The transition from Marxism-Leninism to extreme nationalism as a basis of regime legitimacy was therefore much easier for communists in Serbia, Albania, and Romania than for those in Bulgaria. The Bulgarian communists did what they could to fuel Bulgarian nationalism by fomenting anti-Turkish feelings, but at the same time they hastened to deplore "Russophobia and anti-Sovietism as a show of disrespect for the Bulgarian nation's history and feelings."[7] Until the events of August 1991 in

[5]Nevertheless, the Bulgarians have been considerably luckier in this respect than the neighboring nations. Romania introduced universal male suffrage only in 1918, and 20 years later, King Carol II established his royal dictatorship. Parliamentary democracy in Serbia and Yugoslavia lasted only from 1903 to 1929, when the constitution was annulled and the parliament dissolved by a coup d'état. From 1922 to 1928, Greece was subject to as many as 11 coups d'état and military mutinies. The Turks undertook their first serious steps toward a multiparty parliamentary system only after the end of World War II, while the Albanians have never had a normal parliamentary life until now.

[6]Evgenii Dainov, "Morphology and Pathology of the Bulgarian Electorate," *The Insider*, No. 2, 1991, pp. 2–3, 44.

[7]Ivan Genov, "As Sofia Formulates New Foreign Policy, Moscow Connection Should Stay a Priority," ibid., No. 7, 1991, p. 28.

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Bulgarians demonstrating in Sofia on December 13, 1989, in support of the Bulgarian Communist Party and President Petŭr Mladenov.

—AP/Wide World.

Moscow, the "nationalism" of the Bulgarian communists was not strong enough to prevail over their ingrained subservience to Moscow.

History has proved that small nations like Bulgaria can retain their sovereignty only within an international community of democratic states. It is not by chance that the only East European country and former Russian province that avoided Soviet occupation at the end of World War II, namely Finland, was at the same time the only working democracy among Nazi Germany's allies. The Finns skillfully used the mechanisms offered by a democratic system for maneuvering in an extremely difficult situation. Bulgaria was as strategically important to Moscow as Finland was. But in Bulgaria, King Boris III had concentrated all power in his hands; thus his death in August 1943 inevitably led to the collapse not only of the system, but of the country as a whole. Preferring dictatorship to democracy is therefore suicide. The fact that in October 1991 and January 1992 more than one-third of the voters opted for communism instead of democracy is a clear sign of a deep national crisis.

The democratic opposition in Central Europe and the Balkans was much more quick to draw a clear dividing line between itself and the ruling communist party than was the opposition in the Soviet Union. Even in the late 1980's, a number of veterans of the period of political pluralism were still alive in Eastern Europe. This is by no means the case in Russia, where 74 years of Bolshevik rule had erased all living memory of the pre-Bolshevik period and where the pre-Bolshevik period itself lacked a tradition of elective government. But in contrast to Central Europe, the opposition in the Balkans seemed to be much more strongly anchored in the past—it tended to believe that nothing had changed since the end of World War II. Thus, the Romanians quickly restored a number of traditional parties, but turned out to be very slow in uniting against the ruling National Salvation Front. For his part, Vuk Drašković, the leader of the Serbian Movement for Renewal, appears representative of old-style Serbian nationalism.[8]

In this respect, Bulgaria again demonstrates a mixture of Central European and Balkan features. Shortly

[8]For example, he has claimed that the Macedonians are nothing more than "southern Serbs," and not a distinct nation. See "Politicians Must Know History," ibid., No. 1, 1991, pp. 35–36.

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after Zhivkov's fall, elderly veterans of political organizations active in the interwar and immediate postwar periods and young people restored a number of the organizations that had been banned and destroyed by the communist regime in the late 1940's—the Democratic Party, the Radical Party, and the "Nikola Petkov" Bulgarian Agrarian People's Union. However, in contrast to Romania and Serbia, where political opposition was limited to a handful of unorganized dissidents, in the last years of Zhivkov's rule, Bulgarian oppositionists managed to form a number of new organizations, such as the Independent Association for the Protection of Human Rights, the *Podkrepa* (Support) Trade Union, the *Ekoglasnost* movement, and the Clubs for *Glasnost* and *Perestroyka*. Of crucial importance was the fact that the traditional parties and the new organizations succeeded in forming the coalition Union of Democratic Forces as early as December 7, 1989, that is, a month after the palace coup that ousted Zhivkov.

The Postcommunist Era

The Union of Democratic Forces is a product both of tradition and of innovation. Most of its leaders and activists vowed to preserve their unity until the complete victory over communism, but from December 1989 to October 1991, the organization went through several crises. The first major crisis occurred on the eve of the June 1990 elections, when the "Nikola Petkov" agrarians threatened to leave the Union if they were not granted more nominees of their own. In October 1991, some members of this group left the Union.

The most serious crisis was the split in the summer and fall of 1991 described above. Curiously enough, this split did not occur along party lines, as many had expected, but rather took place within some of the member parties and organizations. The chairman of the Social Democratic Party, Petŭr Dertliev, and the leader of the Agrarian union, Milan Drenchev, left the Union of Democratic Forces, but many if not most members of their parties refused to follow them. Similar splits took place within the Green Party, the *Ekoglasnost* movement, and the Clubs for Democracy (as the Clubs for *Glasnost* and *Perestroyka* had been renamed after Zhivkov's fall). As for the Democrats, the split did not affect their party as a whole but only their parliamentary faction. Last but not least, a number of organizations, such as the Radical Party, the "Salvation" Christian League, and the United Democratic Center, remained entirely faithful to the Union of Democratic Forces.

In politics, what is intended to be provisional often becomes permanent. The Union of Democratic Forces emerged from its crises more coherent and stable. The results of the parliamentary and presidential elections clearly indicated that a considerable part of the electorate voted for the Union of Democratic Forces as a whole and that its member parties and organizations would not have had as much success had they run on separate tickets. In addition, the federative or confederative basis of the Union could successfully counterbalance the highly centralized, potentially authoritarian nature of most of its member-organizations.

Members of the Union now run the government and the state. They face a host of serious problems in the economy, ethnic relations, and foreign policy bequeathed to them by decades of communist rule. We now turn to a consideration of these issues.

The economy. The dismantling of the communists' economic and administrative system is one of the chief objectives of the democratic government of Filip Dimitrov. The presence of a strong and essentially destructive communist opposition will no doubt be a major challenge in this regard. Even the Bulgarian Socialist Party has abandoned most, if not all, of its former Marxist-Leninist dogmas, and its claims to support free-market principles. But the communist *apparatchiks* are suspected of trying to transform their political monopoly into an economic one, by appropriating capital and the means of production through privatization.

Among the Central and East European countries, Bulgaria is probably the one that has suffered the most from communist central planning. Its foreign debt amounts to US$12 billion, and until 1989, about two-thirds of its foreign trade relations were conducted with the USSR. The economic and political collapse of the USSR put a brutal end to that "fraternal cooperation." The Soviet market was perhaps the only one in the world that would accept products of such a poor quality as those made in Bulgaria. As a result, whole branches of Bulgarian industry now appear to be completely useless. Moreover, Bulgaria has no reserves of hard currency, which Moscow now requires in payment for its raw materials, including oil.

Bulgarians seem to place too much hope in privatization and foreign investment as remedies for their economic problems. True enough, the victory of the Union of Democratic Forces and the firm commitment of the new government to "shock therapy" lend Bulgaria a certain credibility in the eyes of potential foreign investors. However, the experience of Hungary, whose economic and political transition from communism to democracy is perhaps the most successful to date, suggests that the economic recovery will result not from privatization but from the activities of thousands of do-

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mestic businessmen starting up enterprises that can compete with state-owned ones. In other words, Bulgarians should get accustomed to the somewhat frightening idea that they will have to proceed like the Jewish settlers in Palestine in the late 1940's; that is, they will have to make a garden out of a desert.

At the beginning of 1991, the coalition government had the courage to take the first step toward marketization by liberalizing prices. Surprisingly, the Bulgarian population reacted to the skyrocketing price increases in a very calm way. However, the *nomenklatura* was able to use its potent position in the economy to resist de-monopolization and to try to artificially increase price levels by keeping essential goods from the market. Nevertheless, some American experts expressed rather optimistic views about the opportunities for investment now offered by Bulgaria.[9]

Ethnic problems. Bulgaria's economic problems are serious, but they do not present the only challenge by any means. History has proven many times that catastrophic economic conditions can encourage political extremism. The collapse of communism in Central and Southeastern Europe paved the way for a resurgence of a nationalism of the most primitive and brutal kind. Like their Romanian and Serbian counterparts, the Bulgarian communists are now trying to compensate for their setbacks by fomenting interethnic troubles. The communist press is full of articles about the "Turkish threat" and the so-called unconstitutional character of the ethnic Turks' Movement for Rights and Freedoms.

Most countries in the world have ethnic or religious minorities, and their presence always causes some problems and tensions. Bulgaria's Turkish minority is the legacy of five centuries of Ottoman rule, but it should be noted that until the late 1960's, of all the Balkan nations, the Bulgarians were the most tolerant toward their ethnic and religious minorities (during World War II, for instance, Bulgaria and Finland were the only allies of Nazi Germany to save their Jewish communities from the Holocaust).

A reversal of this tolerant outlook began to take place at the end of the 1960's and the beginning of the 1970's. In that period, ethnic Bulgarians of the Muslim faith (Pomaks), who number about 200,000 people, were forced to change their traditional Muslim names to Christian ones. A little more than a decade later, in 1984–85, the 800,000-member Turkish minority was

In June 1989, an ethnic Turkish woman from Bulgaria carries her belongings across the Bulgarian border into Turkey.

—AP/Wide World.

subjected to a similar campaign. The anti-Turkish campaign took place during a severe energy crisis, and one of its aims was to divert the attention from the difficulties of the regime. Subsequently, in the summer of 1989, as many as 300,000 Turks were "allowed," or rather, were forced, to leave for Turkey. About half of them were unable to adapt themselves to their "homeland" and decided to return, only to find that the authorities had given most of their houses and apartments to Bulgarians who had been waiting for a home for years, or that their homes had been demolished under the pretext of carrying out city reconstruction plans. The situation was tense, and the outbreak of mass interethnic violence was only narrowly averted.

In the last days of December 1989, the reform communist leadership that had ousted Zhivkov suddenly allowed ethnic Turks to restore their original names. It had become clear by that time that a considerable and very active part of the Bulgarian population had rejected both communism and the ruling party. Hence, the decision in favor of the Turks might have been a political maneuver to elicit a nationalist reaction against democracy. In any case, the measure was vehemently

[9]Eugene L. Stewart and Alexander Mirtchev, "Bulgarian Investment Perspectives," paper presented at a public discussion of investment opportunities in Bulgaria, The American University, Washington, DC, Nov. 25, 1991.

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opposed by local *apparatchiks*, who were directly involved in the earlier persecutions. A "march on Sofia" was organized with buses obligingly provided by factory managers and mayors. This was the first and only "revolt" of the local *nomenklatura* against top party officials in Bulgaria's history. Ever since, the Communist party and its successor have tried to play the ethnic card as a means to gain public support. It is a strategy whose origins lie in Zhivkov's policies of the mid-1980's.

The ethnic Turks have reacted to all the ordeals inflicted upon them with extreme forbearance. It should be noted that the Movement for Rights and Freedoms has acted very prudently by neutralizing extremist elements in its own camp and keeping the whole problem on a civilized level. For example, the Movement did not barter its support for the Union in exchange for a position in the cabinet as is often done when a government is being formed in a normal parliamentary democracy.[10] The Turkish minority feared that its participation in the government might arouse Bulgarian nationalist passions. Instead, the parliamentary faction of the Movement for Rights and Freedoms contented itself with the post of deputy speaker of the National Assembly for one of its members.

Foreign policy. The emergence of the Movement for Rights and Freedoms as the country's third largest political force and its almost exclusive influence on the Turkish minority has led some Greek politicians and journalists to express concern over Turkey's possible influence in Bulgaria's internal affairs. The new Bulgarian government faces the delicate task of preserving a very close relationship with Greece while at the same time continuing a rapprochement with Turkey. Given its desire to integrate into European structures and the threat it faces from Serbian and Romanian communists still in power, Bulgaria cannot afford to have difficulties with either Greece or Turkey.

Unfortunately, tensions have recently arisen between Sofia and Athens over the issue of Macedonia. The recently proclaimed independence of Yugoslav Macedonia has generated fears in Greece of Macedonian irredentism aimed at uniting the Yugoslav, Greek, and Bulgarian parts of this historical province into a sovereign Macedonian state. The issue is a highly emotional one in Bulgaria as well, and Bulgaria's support for the independence of Yugoslav Macedonia has drawn criticism in Athens.

Since the Middle Ages, Macedonia has been populated mainly by Bulgarians, but also by large numbers of Greeks, Wallachians, and Albanians. The five centuries of Ottoman rule did not bring about substantial ethnic changes, although some Turks built colonies along the Vardar River. The leaders of the 19th-century Bulgarian national revival considered Bulgaria's "natural borders" to include the three historical provinces of Moesia, Thrace, and Macedonia. However, none of the Great Powers was interested in creating a Bulgaria that included these regions, because all (especially Russia) feared the emergence of a nationally cohesive and relatively strong Bulgarian state close to the Bosphorus and the Dardanelles. Hence, under the terms of the 1878 Berlin Treaty, only a part of Bulgaria was liberated from Ottoman rule, while Macedonia was to remain an Ottoman province with some vague promises of autonomy.

From that moment on, Macedonia became the focal point of Bulgaria's foreign policy, but the efforts to incorporate the region through war ended in defeat in the Second Balkan War of 1913 and in World War I. As a result, most of Macedonia was partitioned between Greece and Yugoslavia, with Bulgaria receiving only the small area of Pirin.

Faced with staunch opposition from Greece, Serbia, and the Great Powers to the unification of Macedonia with Bulgaria, in 1919, the Internal Macedonian Revolutionary Organization (IMRO) started a struggle for a sovereign Macedonian state to include the three parts of Macedonia assigned by the peace treaties to Yugoslavia, Greece, and Bulgaria. Most Bulgarians continued to regard the Bulgaro-Macedonians as ethnic Bulgarians, but when the region was temporarily incorporated into Bulgaria from 1941 to 1944, it became apparent that the younger generation of Macedonians was much less enthusiastic about the Bulgarian "national ideal" than their elders.

The communist regimes that took power in Bulgaria and Yugoslavia at the end of World War II further complicated the problem by forcing the Macedonians to declare themselves a separate nation and to learn to speak an artificial language that was essentially a Serbianized version of some southwestern Bulgarian dialects. This anti-Bulgarian campaign, which was backed by the communist government in Sofia, further alienated the Macedonians from the rest of the Bulgarians. Although Sofia began to concern itself with Macedonia in the late 1950's, articles and academic publications arguing that the Macedonians were Bulgarians or, at least, of Bulgarian origin, were allowed to appear only when Moscow wanted to "punish" Tito's Yugoslavia for its independent stance toward the Soviet Union. The moderate reforms introduced by Tito in the 1960's fur-

[10]Mary Battiata, "Bulgaria's Democrats Face Dilemma Over Turkish Party's Role," *The Washington Post*, Oct. 17, 1991.

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ther accentuated the gap between the Yugoslav Macedonians, who could travel freely and work in the West, and the Bulgarians, who lived in something very similar to a Soviet province and were not even allowed to visit their relatives in neighboring "socialist" Yugoslavia.

Macedonia was the only predominantly Eastern Orthodox entity to reject the communists in its first relatively free parliamentary elections in November and December 1990. The big winner was the re-emergent IMRO, although it did not obtain an absolute majority. In a referendum held several months later, the Macedonians voted overwhelmingly for the complete independence of their republic. Bulgaria, and somewhat later, Turkey, have thus far been the only states that have recognized Macedonia as an independent state. It was these developments that led the Greek government to be concerned about the prospect of Skopje's potential territorial claims to southern Macedonia. In September 1991, Greek Prime Minister Konstandinos Mitsotakis proposed a trilateral meeting of Serbian, Bulgarian, and Greek representatives in Athens, apparently without specifying what was to be discussed. On September 15, Zhelev agreed in principle to an international conference, but stressed that if Macedonia was to be a topic of discussion, the meeting should be attended by Macedonian representatives as well. Bulgaria, he said, would refrain from any form of interference in Yugoslav affairs and supported the principle of national self-determination. Macedonia's right to complete sovereignty was to be recognized, but Sofia would not recognize a "Macedonian nation," which it regarded as an invention of the Comintern and Tito, and whose recognition would inevitably lead to unjustified territorial claims. There are no Bulgarian territorial claims on Macedonia, but the Macedonians do fear that Bulgarian insistence on the Bulgarian origin of Macedonians could lead to such claims in the future. Instead of territorial revisions, however, Zhelev argued that efforts should be directed toward closer cooperation and toward opening the borders of all the Balkan countries.[11] The projected meeting in Athens was postponed.

For the time being, Serbia's forces are still engaged in Croatia and Bosnia-Herzegovina, but there are a number of alarming signs suggesting that Macedonia might be the next victim of a Serbian attack, although the Serbian minority there is insignificant. A Serbian invasion could prompt strong reactions in Sofia, despite the steps taken by Zhelev and the new democratic government to transform Bulgaria into a source of stability in the Balkans.

[11]"We Are for Macedonian Participation," *Demokratiya* (Sofia), Sept. 16, 1991.

Another emotional foreign policy issue to be dealt with is the relationship with Russia, which is very old and has been characterized by all sorts of mutual cultural and religious influences, setbacks, and conflicts. In the early Middle Ages, the Russians were strongly influenced by Bulgarian Christianity. Indeed, they adopted the Cyrillic alphabet from the Bulgarians, a step that official Soviet historiography has almost constantly denied. The bloody suppression of the anti-Ottoman uprising in 1876 provoked worldwide protests, and Russia availed itself of the opportunity to launch a new war against the Turks that resulted in the restoration of Bulgaria's independence. In the eyes of St. Petersburg, this was only an episode of Russia's expansion toward Constantinople. In 1886, Russia's treatment of Bulgaria as a dependency led to open conflict, but the Bulgarian nationalists succeeded only in postponing the incorporation of their country into the Russian sphere of influence. In 1944, Stalin achieved what Tsar Alexander III had failed to do in 1886.

Nevertheless, thanks to the common religious and literary tradition, the Bulgarians do not share the almost instinctive Russophobia of the Poles, the Hungarians, and the Czechs. The fact that the collapse of the Soviet economy is one of the main sources of Bulgaria's economic troubles tends to generate anti-Soviet and anti-communist feelings rather than anti-Russian ones.

The coup and the countercoup of August 1991 placed Bulgaria's relationship with the former Soviet Union on an entirely new basis. Zhelev condemned the plotters immediately after learning about the putsch and personally contacted Boris Yel'tsin. At the same time, the Bulgarian Socialist Party was among the very few political entities in the world to take the position of official "neutrality" and silent approval of the Soviet hard-liners. Not surprisingly, communist participation in the government appeared to be an obstacle to contacts with the Yel'tsin government after the failure of the plot. Thus, the fall of the Socialist party from power after the last general election creates new opportunities for placing Bulgaria's relationship with the successor-states of the Soviet Union on a normal and civilized foundation.

Conclusion

The strong position of the Socialist party in Bulgarian politics makes Bulgaria somewhat similar to Italy and France, where the communists and other undemocratic organizations like Jean-Marie Le Pen's National Front usually attract between 20 and 30 percent of the vote. One could say that Bulgaria is an emerging democracy

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of the not-very-stable South European type. In addition, the present situation offers some curious historical parallels with the period immediately preceding the military coup d'état of May 19, 1934, that put an end to more than half a century of parliamentary rule. Both then and now, the country is governed by a coalition that includes the Democratic Party, the Agrarian union, and the Radical Party. Both then and now, Bulgarian society is traumatized by a profound national, political, and economic crisis.

There is, however, a fundamental difference. The year 1934 marked the beginning of a long period of dictatorship, while the year 1991 could mark its end. Bulgarian society is entirely different from the peasant and patriarchal society that existed in the 1930's. Bulgaria's parliamentary traditions might be a reliable source of inspiration, but neither the mode of government nor the political parties can be what they were in the past. After 47 years of communist rule, the prewar Bulgarian political passions have gone with the wind.

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Is Latin America the Future of Eastern Europe?

Adapted from a panel discussion organized and chaired by Melvin Croan and presented on November 22, 1991, at the annual convention of the American Association for the Advancement of Slavic Studies in Miami, FL.

Introduction

Melvin Croan

IN this era of profound political and economic transformations in many parts of the world, considerable interest attaches to the question of what the postcommunist societies of Eastern Europe might learn from examples of societal transformation elsewhere, particularly in Latin America. Indeed, as the *Chronicle of Higher Education* observed in its issue of June 19, 1991, "The analogy between Eastern Europe and Latin America is one of the most chic themes in academia today." The same article went on to make the astute observation that as we begin to explore the analogy, real or imagined, between Eastern Europe and Latin America, we are beginning to gain a new appreciation for "the complexities of capitalism" itself.

As some of you may know, my own interest in this kind of comparative tack goes back two decades to research and teaching that I did in Mexico, leading to a contribution that I made to the book edited by Samuel Huntington and Clement Moore on authoritarian politics and modern society.[1] In a chapter entitled "Is Mexico the Future of Eastern Europe?" I dealt with such issues as representation of various sectors of society in the ruling Left Revolutionary Party (*Partido Revolutionario de la Izquierda*—PRI) and processes for transforming potential dissidents into participants in the Mexican political system. I concluded that Mexico was not the future of Eastern Europe, indeed that Mexico was probably not the future of Mexico. By the latter, I meant that the dominant single-party system in Mexico would itself have to undergo basic change, something for which we are still waiting.

It is appropriate at this point to invoke Adam Przeworski of the University of Chicago, who astounded me with a presentation at the American Political Science Association meetings in September 1990 with the rhetorical question "The East Becomes the South?" which, of course, he has developed into a full-fledged book.[2] I will not repeat Przeworski's arguments here. Suffice it to say that one of the scenarios he adduces (there are seven in all) involves not Eastern Europe, but rather Spain. He labels a miracle that country's escape from the economics, politics, and culture of what he calls "poor capitalism." Hence, it is quite fitting to include in our deliberations here an examination of the Spanish experience.

The kinds of questions that Przeworski lists—all classical questions of political science or political philosophy—provide a splendid framework for our discussion. First of all, what kinds of democratic institutions are likely to last? Second, what kinds of economic systems, property allocation mechanisms, development strategies, and the like, are most likely to generate growth with humane distribution of welfare? Third, what

[1]Samuel P. Huntington and Clement H. Moore, Eds., *Authoritarian Politics in Modern Society: The Dynamics of Established One-Party Systems*, New York, Basic Books, 1970.

[2]*Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America*, New York, Cambridge University Press, 1991.

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kinds of political conditions make for successful economic growth? And last, what kinds of economic conditions will prove most conducive to the consolidation of pluralistic constitutional democracy? I suspect that each of our presenters will touch in one way or another on these crucial questions. This said, let us turn to the presentations.

Axes of Comparison

Thomas E. Skidmore

TWO things are going on in Latin America that are analogous to processes in Eastern Europe. One is the transition from authoritarian military regimes to democracy in a number of countries. (Obviously, this does not apply to countries like Venezuela or Colombia, which did not have military regimes.) The other is a move toward a more perfect market economy.

These changes offer a very rich area for comparison, and I think there are many lines of analysis we can pursue. I want to mention briefly seven areas or axes of analysis on which we might fruitfully focus. Then I will discuss some specific cases in Latin America—first, Mexico, and then the countries of the Southern Cone, which are more relevant for comparison with Eastern Europe. And finally, I will mention several problems that are proving particularly difficult to wrestle with and that I think will be very important for the future.

The first point of comparison is the factor of ethnic and religious homogeneity or heterogeneity. The current tragedy in Yugoslavia reminds us that we are once again dealing with the dissolution of the Austro-Hungarian Empire, that ethnic conflict is deep, and that it is going to bedevil not only Eastern Europe but also the former Soviet Union for some time. For Latin Americanists, this is a reminder that the Red Army stayed only 45 years in Eastern Europe, a mere blink in time. The Spanish Crown and Church had 300 years to do their work in Latin America.

When the Spanish came to the New World, they encountered in the country we now call Mexico more than 200 separate languages. The Spanish were able to conquer Teotihuacan—the Aztec civilization—because they succeeded in mobilizing deep ethnic hatreds among linguistic minorities in the Valley of Mexico. Subsequently, these ethnic differences have been largely submerged. In Mexico today, there probably are not more than a million people who do not speak Spanish. Even though there is still an important ethnic dimension in Mexico, you do not find there the Dubrovnik phenomenon, i.e., civil war along ethnic lines. Indeed, in all of Spanish America, except, of course, in the Andes, there is nothing comparable to the ethnic cleavages we are seeing in Eastern Europe.

A second point of comparison is the character of

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the international settings in which transitions are taking place—that is, the degree of dependence on a single outside economic link. In the case of Latin America, that link is the United States. This is most dramatic in the case of Mexico and the Caribbean and not so dramatic in the case of the Southern Cone countries—Argentina, Brazil, Chile, and Uruguay[1]—where West European trade is extremely important. For example, Brazilian trade with the European Common Market now exceeds its trade with the United States. And, for many years, Argentina and Uruguay looked more toward Europe than toward the United States as their commercial partners. I suppose the interesting analogy now will be the relationship between Eastern Europe and Germany.

A third point of comparison is the question of the rule of law. This is much more difficult to analyze than the first two. It is clear that you can have neither democracy nor a market economy unless the rule of law is firmly established, because you need the rule of law to regulate elections and ensure accountability, as well as to secure property rights. We see the drama of attempting to establish the rule of law in Eastern Europe. An arrogant Latin Americanist might say Latin America is far ahead in this respect, but I suggest that it may not be quite as far ahead as one might think.

A fourth, very important, point is the dimension of social stratification, which David Ost is going to discuss. We are looking at societies in Eastern Europe that have been made more or less egalitarian. In Latin America, we see some of the world's most inegalitarian societies.

A fifth point is nationalism, the extent to which and ways in which nationalism has been mobilized. Poland is perhaps the most dramatic example: it had a national church and a trade union movement that tended to give national institutions a clear focus. In Latin America, nationalism—politically—has been most often expressed as anti-imperialism—that is, anti-US sentiment (although the collapse of the Left and the rush toward market economies has tended to undermine that brand of nationalism). In the case of Eastern Europe, there is some parallel in terms of a reaction against the Soviet Union.

There are two other dimensions: the question of social equity, and then that matter that has become taboo for political scientists to mention—the issue of "political culture."

LET us look first at Mexico, a country with one of the most interesting, cleverly devised programs of market opening in Latin America. Mexico is also currently perpetrating one of the greatest public relations triumphs in the world. It is the only country in the Western Hemisphere in which the government can practice massive, systematic vote fraud and yet preserve its image as a "democracy." It is the only country in which you can have a presidential election such as in 1988, in which the numbers come in wrong and the government stops the computers for a week, coming up with results that many observers believe are the opposite of the way people voted. And it is the only country where you can have a leading intellectual say to the man who is declared president: "You now have an opportunity to legitimize your fraudulent election"—which, indeed, Carlos Salinas has been doing brilliantly. Mexico simply does not fit into any of the generalizations I wish to make about the Southern Cone.

Mexico is doing an excellent job of promoting the market, but this is certainly not to be confused with democratization, with a genuine political opening. As a matter of fact, even the most recent moves toward democratization, in my opinion, reflect manipulation. The two governors-elect who have recently stood down did so only under specific instructions from the Presidential Palace.

Furthermore, in opening to the market, the Mexicans are still often using corporatist instruments (I will return to this point below). The Mexicans are involved in an experiment to unleash unbridled capitalism of a variety that probably has not been tried any place else in the Americas except in Chile. This is about to be extended to the agrarian sector, because President Salinas, having manipulated the congressional elections so that he now has control over 290 out of 300 members of the lower house, is expected to propose a law that will effectively phase out the *ejido* system.[2] This transition, it should be noted, is being carried out by an extremely powerful central state.

The Southern Cone is a very different story. All four countries under consideration had, to one degree or another, pluralistic democracies before military regimes took over in the 1960's and 1970's. Of the four, Chile and Uruguay had been the healthiest democracies, with the strongest party systems and the longest record of commitment to civilian government.

In the economic sphere, all had, or still have, three characteristics that make them particularly interesting, especially in comparison with Eastern Europe. The first is a largely corporatist legal structure. The second is a large state sector. The third is a highly protected domestic economy. Let us take these in order.

If we wish to understand the struggle to create market economies, the corporatist legal structure is the most important characteristic of the domestic economies in the Southern Cone and in most of the rest of Lat-

[1]Although Paraguay is geographically in the region, its less-developed economy sets it appart from the others.

[2]A semi-communal system of landholding created by the Revolution.

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in America. One could say that the drama playing out in Latin America is the transition to a post-corporatist state, a process that is analogous to the transition to a post-Leninist state in Eastern Europe.

The European who was most important in Latin America between the two world wars was not Lenin but Mussolini, as filtered through Spain and Portugal. The resulting corporatist structure was a highly intricate web protecting the legally recognized sectors of both labor and business. It created a set of special benefits designed to help those in the formal labor market. It left out the informal labor market and for the most part left out the rural sector. And it protected business through what were either officially or unofficially acknowledged cartels. Thus, there was an inefficient, manipulated business sector and a highly protected, privileged labor sector, which negotiated with populist and sometimes even authoritarian governments. The basic structure was one that gave the government the power to control and negotiate with the recognized formal sector of the economy.

The second feature is a large state sector. We now see the attempt to sell off airlines, steel mills, and even waterworks and railroads and virtually anything else in the public sector that somebody wants to buy.

Finally, these economies have been highly protected, and based on the practice of import substitution. This practice stems from the belief—viewed by some as a reaction to the Great Depression—that state encouragement of industrialization was necessary because the rules of international trade were stacked against the developing countries.

The resulting economic system produced rapid growth in Latin America from the 1950's until the late 1970's. However, it began to malfunction even before the military coups because it distorted the allocation of resources by distorting relative wages and relative prices. Among the most egregious examples are the petroleum workers in Mexico and the stevedores in Brazil. Their salaries are so high that they hire other people to do their jobs at a lower wage. Or one might cite the manipulated contracts in Brazil, where if you want to buy cement or glass, you will find a miraculous similarity in the bids received from all suppliers.

This structure produced some prosperity for the formal sector, but it ran into several problems by the 1970's. One was heavy indebtedness. Another was endemic hyperinflation. And, most dramatic, it showed itself unable to compete in the world market against that new species known as the East Asian "tiger." Whereas Mexico and Brazil had been the great successes of industrialization in the Third World until the 1970's, since then the "tigers" not only have achieved rapid industrial growth and export success, but also have manifested more equitable distribution of income, even though they were all governed by authoritarian regimes.

What is interesting about Argentina, Brazil, Chile, and Uruguay is that under the repressive military regimes of the 1970's, only one of them actually attempted systematically to dismantle the corporatist protected economy and the large state sector. That country was Chile. In the other three, the military regimes did exactly what you would think military officers would do—they went after the enemy. The enemy was the Left. And so, with varying degrees of brutality, they crushed the Left, while themselves enjoying the benefits of corporatism, statism, and a protected economy.

The officer corps is, of course, the ultimate corporatist entity. So it is not surprising that except in Pinochet's Chile, Southern Cone leaderships were not zealous in attacking these three characteristics of the economy. This daunting task was left to the successor democratic governments. The latter faced the task of restoring democracy, rebuilding public confidence, setting up electoral rules, and carrying out elections. At the same time, they had to try to promote economic growth in the face of crushing debt. And, if that was not enough, they had to attempt the adjustment to the world economy that Chile had already achieved (with predictably severe consequences for those at the bottom and for much of the middle class) and that the "tigers" had very dramatically achieved without severe consequences.

So we have two countries—Chile and Mexico—that successfully carried out, or are carrying, out an attack on the corporatist structure, and are entering the world economy. But neither country has done it under democratic auspices. The other three countries are attempting to take on all of this in a democratic setting. The only one that at the moment is making significant progress is Argentina. Brazil is in a desperate situation, and Uruguay is making only modest progress.

There are several questions about what is going to happen. I might add here that, ironically, Latin Americans who go to Eastern Europe are encouraged by the chaos they see there. In fact, Brazilians, who are in deep depression when they look at their own country, become almost ecstatic. Guido Di Tella, who is the Argentine ambassador to the United States, keeps saying, "Send your money to us. We know what capitalism is." It is questionable whether he is right, yet there are many Latin Americans who believe that they have legal and economic institutions that will function better than those of Eastern Europe in this new era.

The first question about the market economy is: What kind of labor relations are going to exist? I know David Ost is going to talk about that. This is a crucial question: Who bears the brunt of this transition? Will it fall dispro-

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portionately on the workers?

The second question is: Are there any capitalists? It is one thing to unleash the market; it is another thing to find enough profit-maximizers ready to play by market rules. Have the economy's players been so suckled at the breast of the state and of the protected market that they cannot learn to play by the rules of market capitalism?

A third, crucial question is the role of the state. Are we returning to the era of the "night watchman"? In Latin America, the state sector has often been the engine of economic growth. It is certainly true of public-sector investment in Mexico and Brazil. If the state virtually leaves the public works sector and only businessmen decide whether to invest or not, the government will lack a primary Keynesian tool.

Then there is the question of the kind of democracy that will prevail. What will be the nature of the party systems, the electoral systems, and the role of the media?

Time is short, so I will not be able to talk about the question of equity (like any good liberal, I never get around to the question of who is really suffering during the transition). I just note that when you go out of this Miami hotel you will see across the street a shop called "Alô Brasil." This shop will sell you the latest JVC, Sony, and other electronic marvels. Brazilians by the dozens, including those from the cities of the poorest parts of Brazil—where thousands of children are dying from dehydration—arrive in Miami daily. These rich visitors will spend their US$20,000 allowance in one weekend and head back to Brazil. I suggest that this raises a question of social justice that I doubt the newly unleashed market economy can handle effectively.

Finally, there is the question of political culture. There are many anthropologists who will argue that Latin America is not ready for either democracy or the market, because it has inherited a hierarchical culture that lacks the individualistic ethos and the minimum commitment to egalitarian values required for such institutions. What you are still dealing with are habits of mind created by a much more successful process of cultural assimilation than the Red Army or the KGB was ever able to carry out.

Labor and Societal Transition

David Ost

THE study of "comparative democratic transitions" in Latin America and Eastern Europe has developed into a minor boom industry. Insights from the former serve as admonitions for the latter, as scholars try to come up with a unified model on how to "craft" democracy. Already, it seems that one of the key lessons concerns economics. Radical market-oriented policies are urged on Eastern Europe as they have been urged on Latin America. "There is no other way" has become the new mantra of democratization.

My remarks aim to show that if we really want democracy to succeed in Eastern Europe, we need to think seriously about "other ways." The main problem with the new global comparisons is their tendency to assume that the same policies have the same effects regardless of socio-economic structure. What they miss, in other words, is the crucial importance of civil society. Recent comparisons go awry in failing to recognize that the political implications of economic reform depend largely on the social and class context in which the reform is carried out. Consequently, policies that may make sense in the context of Latin America, with its politically powerful bourgeoisie, may be quite inappropriate in Eastern Europe, where other societal groups are far more influential.

By trying to understand Eastern Europe through categories appropriate to the market societies of Latin America, analysts have tended to err in identifying possible sources of a new authoritarianism and thus to propose policies that are likely only to make things worse. A more realistic understanding of postcommunist civil society can lead us to a new appreciation of why alternative economic policies, borrowing from populist and social democratic corporatist programs, might be better able than neoliberalism to help consolidate democracy in Eastern Europe.

Because Eastern Europe's 1989 came on the heels of democratizing changes in Latin America, the temptation to look for comparisons has been irresistible. Let us look at the most fully developed attempt so far, Adam Przeworski's *Democracy and the Market.*[1] According to Przeworski, Eastern Europe faces the same choices and awful dilemmas that Latin America has faced in recent years. It must create responsive, representative political institutions at the same time as it introduces radical, decentralizing market reforms. Unfortunately, however, the two are in contradiction: whereas political democracy hinges on cooperation, compromise, and inclusion, market reform is best introduced by surprise, inflexibly, with initial brutality, and often conflicts with the short-term interests of the majority

[1]Adam Przeworski, *Democracy and the Market*, Cambridge, Cambridge University Press, 1991, esp. pp. 179–91.

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of the people. In other words, market reform adversely affects those whose political support is required if democracy is to survive. Either way, therefore, democracy is in trouble. If governments introduce economic reform by decree, they delegitimize democratic rules and elicit dangerous political protests. If they compromise on marketization, they perpetuate endemic poverty, which also weakens democracy. Democracy, according to Przeworski and others, is best introduced if people voluntarily accept privation. Since they are not likely to do so, it will be difficult to create a stable democracy. Thus, says Przeworski, "the East has become the South"[2]—with all its characteristic instability and uncertainty.

What marks this story is a conviction about the kind of economic reform that is necessary. Przeworski assumes the indispensability of a neoliberal strategy that can be characterized as a "wager on the elite." State subsidies must be ended, prices must be freed, and those with capital must be encouraged to buy state property and manufacture exportable commodities. The program aims single-mindedly at empowering a capitalist elite. As tried in Bolivia and Poland, and as currently recommended for Russia, it entails the marginalization of millions and requires the quiescence of labor in order to support the interests of an elite that can move the economy forward.

Przeworski, a social democrat by conviction, does not like this economic program. He agrees with those who do, however, that such a program is essential for successful democratization. Is this correct? The argument does make sense for Latin America precisely because of the nature of the elite there. Apart from the military, that elite largely consists of modern, urban, market-oriented types who lent critical support to the "bureaucratic authoritarian" dictatorships of the 1960's and 1970's out of concern about labor militancy. The task for Latin American democrats is to persuade those elites, who are even more prominent today than before, to support democracy. And the consensus answer is that they will only support democracy if their interests are promoted and if labor remains quiescent. Thus, the "wager" aids democratization by persuading the powerful political forces that they will be better served by democracy than by dictatorship.

The reason this approach is wrong for Eastern Europe is that the East European elites are so different. The elites under communist governments were neither traditional elites (who were destroyed in the Stalinist period), nor market-oriented capitalist elites fearing labor militancy (who were never allowed to flourish). The class that neoliberal market reform tries to protect is a class that in Eastern Europe does not yet exist, or at best is only in the process of formation. Elites in communist societies consisted largely of the intelligentsia, representatives of a new class whose power and influence stemmed from their political positions within the communist party. They had no legal claim to the state property they oversaw. When the party lost power, the old elite lost the sole basis for its control over the political and economic system.

And so, unlike in Latin America, in Eastern Europe the old elite does not pose much threat to democracy today. Indeed, for most of the last several decades, communist elites seemed to continue in power only because they had to, for geopolitical reasons, and not because they felt they really ought to. In Poland and Hungary, the communists were the ones who introduced the very economic reforms that led to their demise. (In 1990, the *elected* communists in Bulgaria and Romania began doing the same things, precipitating their own demises as well.) Leading individuals from the old elite may well try to cushion their fall by turning state property into their own private property. But by doing so, they only further undermine the reasons why they might ever want to restore the old communist system.

Just as in Latin America, so in Eastern Europe, elite acceptance of change was important to the peacefulness of the transition. Unlike in Latin America, however, in Eastern Europe the elite no longer plays a central role. Whereas the Latin American elite that supported the dictatorships continues to be vital to the economy, thus ensuring the elite's continuing political importance, the old East European elite is no longer vital to the economy and thus lacks much political clout. The reasons that make labor quiescence and the "wager on the elite" politically necessary for Latin America, therefore, do not hold for Eastern Europe.

The old communist elite has no social base, no intellectual legitimation, and no mechanism by which it could bring back the old system even if it wanted to. Nor is there evidence that it really wants to! Nowhere do the ex-communists propose a return to one-party rule. In Eastern Europe, there is no intellectual plan, economic logic, or foreign force that can re-install Stalinist dictatorship.

That does not mean there is no danger of dictatorship. It only means that the danger lies elsewhere. The danger of new dictatorship in Eastern Europe comes from the bottom, not from the top. It comes from those millions of people, marginalized by the wager on the elite, who become receptive to demagogues promising prosperity if only some scapegoated "minority"—communists, capitalists, Jews, foreigners, or some oth-

[2]Ibid., p. 191.

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er imagined enemy—is persecuted, allowing the True (i.e., prosperous) Nation to assert itself. To say that people *desire* such deceptively easy answers is to misplace the blame. Simplistic answers become attractive only under certain social conditions, in particular, when others, including the authorities, say there are no answers at all except long-term hardship. Demagoguery cannot be defeated by a neoliberalism that people do not like, but only by a program that takes into account people's legitimate objections to market policies.

In Eastern Europe, therefore, democracy can be consolidated, and authoritarian demagogues marginalized, only by encouraging non-elite participation. The crucial task in democratic consolidation is to address the concerns of those whose rejection of democracy would pose the greatest danger. In Latin America, that group is the market elite. In Eastern Europe, in the absence of such a class, it is the millions of non-elites who fear marginalization.

Paradoxically, then, what pushes Eastern Europe away from democracy and toward populist authoritarianism is precisely the neoliberal program that Przeworski and other transition theorists, thinking of Latin America, see as the foundation of democracy. This program fosters authoritarianism because it tells the majority of people, and particularly workers, that post-communism entails decades of hardship, unemployment, and social dislocation, and admonishes them to accept the wisdom of the elite that there is no other way: "Tighten your belts and wait for better times." Such arguments drive workers, particularly those in the still-dominant state sector, to authoritarian demagogues not because workers naïvely expect pie in the sky but because they want to play a role in building the new society. They do not believe they should be the only ones to suffer.

There is a rather astonishing assumption in contemporary discussion of Eastern Europe that holds that workers had it good in the old system. As if it were not the workers who, by creating Solidarity, led the way in overthrowing communism! In the world-view that underlies such an assumption, East European workers seem to be pretty dumb. Interested only in guaranteed jobs and low prices for essentials, they nonetheless opposed the communist regime that provided them such things. What such observers miss is that the old forms of worker opposition revealed a profound concern for dignity and meaning in work, not just for high wages. The workers' famous quip—"They pretend to pretend to pay us, and we pretend to work"—was not a boast about proletarian craftiness but an attack on the irrational organization of industry.

There is much about a market system that workers like. Market rules, which punish wastefulness, can help give workers the sense that honest labor is valued. Advancing through determined effort, rather than through political connections, can instill a dignity that too frequently was lacking in the past. Market systems, in other words, can be attractive to workers. Yet, not every market system is attractive, and the wager on the elite certainly is not. On the contrary, it treats workers only as objects, thereby turning them into the enemies they do not have to be. The problem with the neoliberal program, therefore, is not simply that it anticipates unemployment and a reduction of the socialist safety net. Such cuts were a constant fact of life under late communism as well. Workers in Eastern Europe know there will be difficulties. They want to help in coming up with answers. And they do not want to be the only ones bearing the costs.

So when Przeworski argues that democratization is best achievable with weak working-class organizations, I think he has things backwards. Political democracy can be consolidated in Eastern Europe only with strong and active participation on the part of those who made the revolutions possible, those who are slated to suffer. In Latin America, a strong and engaged working class might dangerously antagonize still-powerful market elites and raise the specter of a return to authoritarianism. In Eastern Europe, without these elites, it is a weak and marginalized labor movement that is most conducive to authoritarianism, by providing demagogues with a constituency.

Painful market reform can be democratically legislated only if it has a strong social base to rely on. In Latin America and Southern Europe, reformers have been able to depend on an existing bourgeois class. In Eastern Europe, reformers have been able to "sell" the wager on the elite because of the populations' postcommunist love affairs with capitalism, "the enemy of the enemy." Up to now, East European societies have been incredibly tolerant of brutal austerity programs, accepting impoverishment as the condition of future prosperity. The danger is that the governments seem to be taking this extraordinary good will for granted. As demonstrated by the October 1991 parliamentary elections in Poland, when a clear majority of voters cast ballots for parties opposing the neoliberal program, that would be a big mistake. The honeymoon with neoliberalism is still part of communism's legacy, but within a few short years, ongoing problems will be attributed to current leaders alone. And the question of the democratic base for economic reform will be crucial. Since the emerging new class will not yet be sufficiently strong to constitute such a base itself, reformers will need other social forces on their side. This is why a "worker-friendly" reform strategy is crucial.

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Such a strategy should include measures such as active involvement of employee councils in market restructuring efforts, worker participation in enterprise management (like the highly effective *Mitverstimmung* [co-determination] in Germany), and preferential loans and stock options for employees. Are such strategies economically viable? The most dynamic parts of today's global economy are precisely those that employ post-Fordist arrangements, in which employees are most involved. Are they realistic? Contrary to the view that workers are the enemy of market reform, evidence in Poland shows that some of the most successful examples of market restructuring occur where employees have a stake in implementing them.[3]

Eastern Europe at present is engaged in an enormous social experiment. Westerners traveling to and advising East European countries often condescendingly admonish their hosts that if only they would adopt the "tried and true" lessons of the West, everything would be all right. By trying to build capitalism and democracy at the same time, however, Eastern Europe is attempting something that the West has never experienced. In the West, democratic forms were introduced long after the establishment of markets and the accumulation of wealth in private hands. If people in post-communist society are to vote for the experiment to be continued, democratization and marketization must be effected in ways acceptable to non-elites as well.

Because of the different class structures of Eastern Europe and Latin America—of communist and of capitalist authoritarianism—socio-economic reform must proceed quite differently in each region. One might say that what Eastern Europe needs, in contrast to Latin America, is not less corporatism but more. Practices that might threaten democratic consolidation in Latin America can strengthen democracy in Eastern Europe. Because of the absence of a strong bourgeoisie, reform programs must embrace as many social forces as possible.

The East will become the South only if the East insists on basing its reform program on a class that barely exists. If it adopts the wager on the elite, it will create more supporters for the demagogues of the region. If it reaches out to cooperate with those the neoliberal "wager" consigns to marginalization, it can perhaps succeed in the unprecedented experiment of building democracy and a market economy at the same time. Success will be difficult. But it certainly deserves an honest try.

[3]Janusz Dabrowski, Michał Federowicz, and Anthony Levitas, "Stabilization and State Enterprise Adjustment: Poland 1990," in *Program on Central and Eastern Europe Working Paper Series*, No. 6, 1990, Cambridge, MA, Harvard University, Center for European Studies.

Points of Commonality

Lawrence S. Graham

YOU have heard two complementary presentations: one looking at what I would call the particularities of the Latin American cases and raising questions about their appropriateness for Eastern Europe, and the other looking at the transformations and changes in the East European context that in no way match the Latin American cases. However, in tackling the problem of comparative analysis raised in Adam Przeworski's book, the issue is really not to look for total similarity between the two regions, but rather to ask what aspects are common and which differ, and to begin to establish why this is so.

Rather than frame the argument in terms of absolutes, it is more important to ask the question: in the current series of market reforms and in the current attempt to build democratic regimes, is there anything to be learned from the Latin American cases? The very way in which Mel Croan began the panel is how we must begin to look at the Latin American area—to disaggregate the region into very distinct parts and likewise into very distinct sets of country experiences. If that is done, I would argue that there are really three crucial issues that we will want to explore, not so much historically as in terms of where we stand in the early 1990's.

The first is the question of what kinds of economic reforms are appropriate for building functioning markets that allow attention to be given to questions of social equity. That should be the same agenda for Latin American cases as for East European cases. It is not so much the question in the one context of having threatened elites and in the other, of identifying the role given to non-elites. Rather, in the kind of environment into which we have moved, there must be recognition of the failure in both cases of past political formulas and past economic models.

A second, extraordinarily important issue, is the question of what kind of structural adjustments are necessary in the apparatus of the state. Thomas Skidmore referred to the case of Chile, which I think is very important: a major change was attempted there in moving to a truly free-market strategy while dismantling the state, and the regime nearly collapsed. The issue that has emerged, that is the issue of the 1990's, is both how to dismantle the prior existing state and how to restructure it. Because, we have learned that you cannot dispense

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with the state. If you effectively remove the state from any involvement in assuring social equity for the population, there is no way one can move in the direction of marketization without confronting the reality of mobilized masses. There is, I would argue, in the Latin American context a lot of past experience with this sort of eventuality that is very relevant. Where there was repression of non-elites to achieve market reforms we have had instances of mass mobilization later, under authoritarian regimes, or what we call authoritarian populism. I have in mind the changes in the 1940's and the 1950's in Argentina that were linked to disillusionment with democracy .

The third, crucially important, issue concerns military and security policy. This is the question of establishing what I would call civilian oversight authority. This issue has been difficult to deal with in the Latin American context. It helps us differentiate between the Southern European area—where civilian oversight authority has been established—and Latin American experiences —where civilian control over the military and security forces remains incomplete. The picture is variegated in the East European context as well; if you disaggregate the region, you find radically different patterns in Central and in Southeastern Europe.

Let us explore these three issues to discover what commonalities may exist behind the appearance of great difference.

Economic reform. In both areas, as authoritarian regimes give way to mass mobilization and accept economic reform projects, there is a common inheritance of a past system of, at best, imperfect markets heavily dominated by the state. Yet, some transitions have proven easier than others. Why?

The unifying feature is that before the movement into extended periods of authoritarianism, some societies had a long history of replicating institutional models that grew out of West European experience. It is on this point that you must separate the experience of East Central Europe—Poland, Czechoslovakia, Hungary—from that of Southeastern Europe, just as you must in Latin America differentiate between the Southern Cone countries and the Andean republics. In both regional settings, the first group of states had considerable prior experience with markets before the period of moving into extended state domination of the economic system. Likewise, there was an environment in which elites created a state apparatus that in many ways replicated the kinds of institutions developed in Western Europe. And there was a civil society that made it possible, no matter how repressive the state apparatus became, to always resist and to fight back.

Those cases I would separate very clearly from the experience of Southeastern Europe and the Andean republics, where the veneer of Western institutions remains very thin. It should not surprise anyone that what we find in Peru, Bolivia, and Ecuador are movements that occur outside the state, that have reduced and in a sense replaced the state apparatus, not by assaulting it directly, but simply by superseding it. The disintegration of the state model in Peru is not unlike what is occurring in the Balkan context, particularly in Yugoslavia. Without a state capable of maintaining certain minimal market conditions and a domestic market distinct from the international economy, implementation of economic reform projects becomes very difficult, if not impossible.

Adjusting the state structure. A second area to explore concerns the structural adjustments that are required in the state apparatus. In both regions where major economic transition is being attempted, the very actors asked to engage in radical policy reform are frequently the ones who have a vested stake in manipulating the transition to their own benefit. For, below the political changes in public personnel at the top of the state apparatus, there are many government employees identified with the previous political class who have little interest in changing the substance of relationships between the state and the economy. The problem is how to open up the process of privatization in such a way as to release entrepreneurship outside the state, within the context of developing market structures. That is a very old problem within the Latin American context, and hence Eastern Europe's travails in this respect should cause no surprise.

Obviously, the partial markets that existed under state socialism were different from the market mechanism that operated before World War II in Eastern Europe. And when you look at instances of limited market reforms, there was substantial (if unsuccessful) experience gained in trying to foster worker involvement in enterprises. This was seen in the self-management reforms of Yugoslavia in the 1970's and in the reforms attempted in Hungary in the 1980's. But this should not deflect attention from the central role played by state structures in determining the parameters of the domestic economy and the importance of basic and fundamental governmental reorganization if lasting economic reforms are to be achieved.

The situation in these countries, when viewed in the context of their past experience with policy reform is not so different from the corporatist setting that Thomas Skidmore noted dominated the economies of Argentina, Uruguay, Chile, and Brazil before they moved into

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the present environment. In those settings, too, there was no really effective free-market mechanism, but in a number of important cases, economic policy-makers have been able to engage the question: how do you create a market environment in which competition will emerge and in which you can identify entrepreneurial elements?

If we look at Southeastern Europe and the Andean republics, there is another matter that perhaps provides further insight into the problems to be confronted. At the same time, we have state-dominated economies inhibiting change in formal markets, effective economic change has been occurring in the informal sector. Peru is an example in which the formal economy has collapsed—it is absolutely chaotic. But an enormous amount of entrepreneurship has always been present in small and medium-size enterprises and commercial undertakings related to survival. There is a whole informal network that is remarkably well developed in the supply of basic goods and services. This scramble to acquire the goods you need to survive on a day-to-day basis is not so different from surviving under Nicolae Ceauşescu in Romania in the period when there was no formal market but an underground economy operated with black market prices to balance limited supply with demand.

The point that I wish to establish by drawing these analogies is that bringing about structural changes in the economy and in the state is far more difficult than seems to be the case upon first inspection. The relevancy of the South American cases, in particular, is the extensiveness of their experience with both sets of reforms without finding an easy solution leading to democratic politics and competitive markets.

Military and security policy. It is in the establishment of civilian oversight authority over military institutions and security forces—the key to successful consolidation of political and economic transition—that I take greatest issue with those in the transitions literature positing that "The East Becomes the South." The Southern Cone countries have historically proven to be unable to resolve the question of establishing effective civilian oversight authority, and this has always made these regimes tentative. What is distinctive about the Southern European cases is that in those transitions, strategically located civilian and military leaders resolved the question of civilian oversight authority *before* they began to move in the direction of consolidating control by civilian elites. If we move to the Central European context, it is striking the way in which that issue of civilian oversight authority over military and security forces was also resolved quickly and definitively in the transitions in Poland, Czechoslovakia, and Hungary. By contrast, in the Balkans, you find that corporate interests have survived the transitions intact. These involve the military and security establishments, with paramilitary and civilian networks at odds with one another in Romania. In what remains of Yugoslavia, they have worked very closely together and moved into politics to offset what they perceive to be the disaster produced by the inaction of past civilian leadership.

IN SHORT, in exploring commonalities and differences, it is useful to employ a policy perspective—that is, to look at very specific and concrete policy issues and then to single out those cases that are theoretically relevant for cross-national comparison. For example, the case of Chile is very important in terms of designing strategies linked to creating markets and reducing the size of the state. I had to see Poland before I was ready to reexamine the Chilean case. I (along with many other political scientists) was so repelled by the Pinochet regime that I tended to write off the kinds of economic changes that were occurring in Chile and failed to understand that there was a marked difference between the years in which that regime was consolidated politically and the years in which it had to create an economic system that worked in order to continue in power.

The most important lesson to be learned from the Chilean experience concerning market reform strategies is that no matter how much the first group of policymakers—who were called the "Chicago boys"—tried, their unfettered free-market strategy failed and the regime nearly collapsed in 1982 and 1983. The only way the Chilean regime survived was to bring the state back in to create a regulatory role and to intercede between the domestic market and the international economy. Once this was accomplished, successful economic restructuring took place. But it involved restructuring the state as well, and keeping the state involved as the sole force in society that could overcome individual or separate interests.

Shifting to Eastern Europe, the other setting that is important is the Polish case, where it becomes very important to understand the way in which democratic forces fragment. A critical issue in Poland is how to design an appropriate strategy and a set of policies for consolidating democracy that will minimize institutional stalemate and divided government. This problem is nothing new in Latin America. The example of Brazil comes immediately to mind. The current crisis in Brazil does not have to do with the absence of skilled human resources. Nor does it have to do with the absence of an opposition. Rather, the crisis has stemmed from the incapacity of present governments, as was true of past

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governments, to develop an appropriate economic strategy in a democratic environment. This is an environment in which one can no longer dictate policy from the Office of the President and expect it to be carried out, as was the case during authoritarian rule. Rather, to implement policy requires bargaining, negotiation, and meditation. And it is in that crisis or, better said, in the inability of a democratic presidency in Brazil to work with groups in the opposition and in the legislature, that a parallel exists with circumstances in Poland.

Spain's Success Story

Eric Hershberg

THE Spanish experience with transition has been remarkably successful. Indeed, for all its imperfections, it looks better and better when compared to transitions in Latin America and Eastern Europe. In fact, when Przeworski says that the future of the East is the South, he also says that the greatest problem for Eastern Europe and, for that matter, for Latin America, is that neither one can do what Spain did.

I will say a bit about some key elements of the Spanish success and then make some observations about areas in which Eastern Europe, or I think really one would have to say parts of Eastern Europe, might have some similar experiences, as well as about other areas in which experiences are going to diverge quite a bit.

I focus on four elements of the Spanish case that might appeal to Przeworski and others. One is simply the political transition. Over the course of a decade, one sees a transition from an authoritarian system, corporatist-influenced, without political parties and without political competition, to a political democracy integrated into the community of democratic nations, with free elections and a consolidated democracy in which there is little likelihood of a military coup. When one compares Spain to some other countries, particularly to Latin American countries that face similar challenges, the Spanish experience since 1976 emerges as a remarkable example of a successful political transition to a liberal system. To carry out such a transformation is obviously one of the key challenges now facing Eastern Europe.

The second element has to do with economic liberalization. In the Spanish case, there was not only a transition to a competitive political system, there was also a transition to a much more liberalized economy than had ever existed before in Spain. The economic liberalization, at least in its direction, is analogous to that which many are trying to carry out today in Eastern Europe.

A third way in which Spain can be seen as a great success is that it has been integrated into the international economy. Spain has found a niche, if you will, in the international system. It has joined the European Community as a full-fledged member, something that during the Franco period, and even in the initial period of liberal democracy, it was not clear that it would be able to accomplish. Spain succeeded in integrating with the First World rather than joining North Africa. Spain also joined the European Community politically and geostrategically, if you will, by joining the North Atlantic Treaty Organization.

The fourth element, which is commented on less often but is actually quite interesting, has been Spain's ability to resolve relatively peacefully—indeed, remarkably peacefully—debates over the nature of the Spanish state itself. I am speaking here of the question of boundaries—the question of what was Spain, of whether Spain was one nation state, or consisted of several nations and therefore several states. Through the constitution of 1978 and subsequent elaborations, the Spanish have developed a system of regional institutions that has basically resolved the Basque and Catalan problems. The state of the autonomous communities (*estado de las autonomías*) is a solution to the problem of regional tensions, of cultural disunity, that I think very few of us would have predicted 15 years ago. Over the last few months, events in Eastern Europe have, no doubt, rekindled the question of the future structure of the state. But overall, *estado de las autonomías* has been a remarkably effective means for handling what could have been some very, very dangerous problems.

LET me explore each of these four elements of the Spanish success for what they might offer to East European states attempting transition in the 1990's.

With regard to the political transition and its relation to the economic transition, one could argue that one of the reasons that the political transition in Spain was as smooth as it was—this is not the only reason, but one interesting reason—is that the Spanish transition was initially focused on political change. There was not at the outset, in 1976, immediately after Franco, an effort to transform the economic system. Spain had a heavily centralized economy. It had the corporatist tradition that Thomas Skidmore discussed. It was by and large a capitalist society, and people understood it, even if far from all of them liked or accepted it. The focus on *political* transition meant, however, that even if the regime did not deal with distributional questions, did not deal

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with the injustices of the Spanish capitalist economy, the political system was not blamed for those injustices. As a result, although you find a good deal of rejection of capitalism, of the market, on the part of Spanish labor in the late 1970's, you do not find that they rejected the democratic transition.

By contrast, as Philippe Schmitter argued at the International Political Science meeting in Buenos Aires last summer (1991), as the democratic regimes in Eastern Europe try to consolidate, they will not only have to develop legitimate political structures, but they will have to develop legitimate economic structures as well. The two transitions are happening at once. The political authorities cannot say, "Yes, it is unequal, but we did not create it," because, in fact, these economic systems will be created together with the political system. And that puts a much greater burden, it would seem to me, on many of the East European countries.

I argued at the outset that one of the successes of the Spanish experience was economic liberalization. But this took place for the most part *after* democracy was consolidated. That is to say, it occurred after the series of stabilization agreements (but not the more profound and enduring restructuring agreements) between the centrist governments and labor that brought in the political parties in the late 1970's, after the failure of the last coup attempt in 1981, and after the overwhelming electoral victory of the Socialists in 1982. It is only at that point that the real move to liberalization—that the costly adjustment, the 23 percent unemployment rates—became a reality in Spain. The political issue had been taken care of; the political system was installed. Only then was the painful process of thoroughgoing economic structuring tackled.

It seems to me that that it is not necessarily going to happen that way in many of the East European countries. Indeed, it did not happen that way in Argentina and Brazil.

The sequencing here is worth noting. One could argue that Spain reversed the sequence followed by Mexico and Chile, where a market liberalization occurred without a corresponding democratization. In Spain, to be sure, there had actually been a good bit of economic liberalization under the old regime (Hungary might be a similar example). Thus, beginning in 1958 with the stabilization plan and the failure of the autarkic model in Spain, a substantial liberalization took place. Nevertheless, the Spanish economy did not really open up until well after democracy was consolidated.

Even though democracy was more or less consolidated before Spain's leaders tackled the most difficult aspects of liberalization, they did have to stabilize the Spanish economy in the late 1970's while consolidating democracy, and this led to a more-or-less corporatist arrangement. We could go on for a while identifying whether or not it was really corporatist, and if so, what kind of corporatism it was, but basically the state and labor leaders, and leaders of political parties negotiated a set of pacts which identified the means to be used to control inflation.

I would argue that this model, while it helped to consolidate democracy and therefore laid the groundwork for eventually carrying out a far more profound liberalization, carried with it the seeds of the real weaknesses of contemporary Spanish democracy. These have to do with an absence of mass participation, an absence of the kind of consultation at the micro level that David Ost, I think, is proposing with regard to the Polish setting. The way in which democracy was consolidated in Spain produced a great deal of apathy and generated a great deal of rejection of the public sphere by large sectors of Spanish society.

It is interesting that while Spain is a consolidated democracy and a liberalized economy, and fully part of the European Community, it is, even in comparison with its Southern European neighbors, one of the least healthy systems in terms of participation, in terms of interest in politics, in terms of linkages between the state and society, in terms of a dynamic civil society. The degree to which this is a problem in Spain is, I think, sometimes underestimated. That is particularly troubling given that Spain is viewed as a model for a "successful" transition.

As for the international dimension, Spain joined the international community and the global economy in a way that satisfied the most optimistic expectations. A key issue here is the degree to which Spain had already previously established economically significant ties to the European Community and, for that matter, to the United States. The degree to which the economy had been partially liberalized beforehand meant that there were already very solid economic grounds for Spain's incorporation into Europe. It also meant that there existed in Spanish society, albeit isolated at times, a private sector that knew what it was to be a capitalist in a competitive economy.

These connections to the international economy meant two things. First of all, they meant that at the time of very profound liberalization, after the mid-1980's, when Spain was accepted into the EC, there were substantial transfers of resources to Spain, both in the form of Community funds sent to help cushion the cost of adjustment, and in the form of massive amounts of foreign investment going into Spain because labor was relatively cheap there and the country offered an attractive entrée to the Common Market.

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Capital flows into Eastern Europe are obviously of great concern to the governments there. And my guess is that the amount and kind of capital will vary from case to case, depending in part on the degree to which there already exists an infrastructure that can be modernized and then incorporated into Europe. Had Spain not had such an infrastructure, it is very unlikely that the social costs of the economic transition could have been handled as easily as they were.

A second, related, factor—the real prospect of membership in the EC and therefore in Europe—was extremely important for Spain. Culturally, the country had never felt fully accepted in Europe, it had never become European. People wondered whether Europe ended at the Pyrenees (the Spaniards, of course, felt that centuries ago they had extended Europe all the way down to the Straits of Gibraltar). The costs of the transition could be justified or cushioned by saying "We are joining Europe. We are becoming accepted in Europe." Also, sometimes by saying, "Look, all of Latin America yearns to be like us, and now all of Eastern Europe yearns to be like us." Similarly, if in Eastern Europe a society believes that membership in Europe lies at the end of the tunnel, it may be more likely to tolerate a good deal of hardship.

Finally, I must touch very briefly on the question of the domestic organization of the state. In the literature on transitions, the early articles by people like Dankwart Rustow said that one of the preconditions for democratization was understanding what the boundaries of the state are. What is the national territory? This is obviously something that is very much up in the air in Eastern Europe today. The Spanish situation was never quite as severe, but the Spanish solution to such tensions—the quasi-federal *estado de las autonomías*—offers some hopeful precedents for leaders of ethnically divided societies elsewhere.

Some Concluding Thoughts

Melvin Croan

IN THE lively discussion that followed the above formal presentations, several crucial matters kept recurring, provoking some interesting differences of opinion and/or emphasis.

Early in the discussion, a member of the audience questioned whether the transition in Eastern Europe away from state socialism is in fact as irreversible as it may currently appear. After all, this interlocutor stipulated, state socialism bequeathed a massive social formation, the *nomenklatura,* that leads a life of its own. Renamed communist parties continue to exert influence, especially in the Balkans. Everywhere in Eastern Europe, it was further advanced, marketization would exact a heavy socio-economic price falling perhaps disproportionately upon the working class—to the extent that one may still use that somewhat obsolescent Marxist category—and this would create a potentially potent social base for a comeback of the old regime.

While agreeing that such a proposition ought not simply to be dismissed out of hand, the panelists thought that the collapse of communism in Eastern Europe was in fact irreversible. The old ruling elite is in a state of political and psychological disorientation. Of course, it struggles for organizational survival, under the guise of democratic socialism, but the ideological fire is not there and probably can never be rekindled. People, including the workers, are unlikely to pin their future hopes on the discredited former elite. Indeed, even prior to the revolutions of 1989, the more energetic members of that elite had been actively transferring their former political capital into economic capital, i.e., becoming new elites. Those that "make it" in a market society actually help the cause of democratization. All of this is especially true for Poland, Hungary, and Czechoslovakia. There may well be an important difference in degree (if not also, at least potentially, in kind) between these countries and the Balkan states. In the latter, the prospects for transition seem much more problematic.

Comparisons between Eastern Europe and Latin America also highlight the presence in the former of a still massive, once highly disciplined and ideologically indoctrinated bureaucratic formation and its absence in the latter. One might suggest analogies between the military out of power (Latin America) and the defunct party with its *nomenklatura*. However, the mere suggestion should serve to highlight crucial differences between party *apparatchiki* and military men as social forces in post-dictatorial political systems.

The crux of the entire matter, from the standpoint of political economy, is the question of marketization. This was a basic point of agreement among all the panelists and between the panel and the audience. Indeed, the very first question from the audience concerned privatization as the key to successful marketization, although there was also some subsequent discussion on the part of individuals in the audience of the possibilities (theoretical if not yet practical) for a "socialist market economy," a subject on which spirited debate bids fair to continue.

With respect to privatization, however, a question was raised as to whether privatization in Eastern Europe and the former Soviet Union is fundamentally

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different from the process in Latin America. The ensuing discussion established that while the theoretical issues are not different, perhaps they ought to be. It was argued that there has been nothing in the Latin American experience to approximate the scale of the problem of privatization in Eastern Europe, not to mention in the successors to the former USSR.

Yet another comparative dimension deserves attention. This is the disintegration of national economies such as has been experienced in Yugoslavia, is under way in the former Soviet Union, and threatens elsewhere in Eastern Europe (e.g., in Czechoslovakia). There is no Latin American parallel for it. One panelist pointed out that unlike most of the Third World, Latin America has had functioning national economies to one degree or another since the early 19th century. Another pointed out that although Latin America has certainly been spared the kind of disintegration along ethnic and/or regional lines now haunting Eastern Europe and the former Soviet Union, there is a comparably deleterious phenomenon in the collapse of the state as a social apparatus such as is now being experienced in the Andean area.

The role of the state in Eastern Europe and Latin America gave rise to spirited controversy. A member of the audience argued that to lament the "collapse" of the state in Latin America or elsewhere is to assume the model of the state as an impartial arbiter of different socio-economic interests. In Eastern Europe, the state is rarely seen that way, because it never functioned that way; quite to the contrary, the communist party-state was the guarantor of political privilege and social inequality. Small wonder than that East Europeans today say good riddance to the state.

Although the panelists did not dispute this assessment of East European popular attitudes toward the state and the reasons behind it, they cautioned that the issue certainly ought not to be left there. In fact, the state was needed in the transition from state socialism to the market and, indeed, beyond. Such crucial tasks of the stabilization phase of marketization as control of the money supply and other key functions of a central bank require a state. Beyond that, the state, properly administered, could and, it was felt, should institute social safety nets, job retraining programs, and the like, to ensure that industrial workers, pensioners, and other vulnerable social groups were not marginalized in the process of transition to the market. Furthermore, the state has a crucial role to play in establishing and enforcing the basic rules of the market economy relating to property rights, contracts, etc.—in a word, in ensuring the rule of law. It will be chastening, however, for East Europeans to know that in the Latin American experience, reform of state structures has proved to be the single most difficult issue of all.

An issue that exercised both the audience and the panel involved the future place of Eastern Europe in the international political economy. Obviously, the relationship between domestic developments and the global economy is reciprocal. It was pointed out that one of the reasons for the success of Spain's transition to democracy was favorable international economic circumstances. Thus, the future relationship between the European Community and Eastern Europe will be of enormous importance. And the involvement of multinational corporations, once anathema in Latin America but no longer so, will also be very important.

Although no one can really expect Poland to become, in the words once ascribed to Lech Wałęsa, a "Catholic Japan," i.e., to compete with Japan and other Pacific Rim countries in high-tech and related specialty production (an objective still championed by some East European economists), neither should one automatically consign the post–state socialist countries to the ranks of the less-developed Third World. Instead of the Third World, there may be a Third Way, something along the lines advocated for Hungary by Iván Szelenyi—viz, new kinds of small-scale production that carve out markets in some specialized consumer goods and agricultural products that call for flexible specialization and tap into novel rhythms of production.[1] In all of this, Latin America and Eastern Europe may perhaps come to learn from one another.

A final factor that drew attention was the enormous pressure to achieve results in a short period of time. As one panelist observed, the constraints of the international economy are such that any society lacking certain kinds of competitive economic institutions and facilities is likely to be extremely vulnerable. Earlier transitions did not take place under such severe pressures.

[1]Ivan Szelenyi, Alternative Futures for Eastern Eurpe: The Case of Hungary," *East European Politics and Societies* (Berkeley, CA), Spring 1990, pp. 231–54.

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Prospects for Democratization in China

Martin King Whyte

With the collapse of communism in Eastern Europe and the Soviet Union, speculation abounds concerning the fate of the remaining Marxist-Leninist regimes. Is their collapse inevitable? If so, will they collapse soon or only after prolonged death throes? It is not surprising that such speculation centers on the People's Republic of China, the most significant remaining member of the Marxist-Leninist camp.

Before addressing such questions, we need to ponder why things turned out so differently in Eastern Europe and China in 1989.[1] Was it inevitable that China's democracy movement of that year would fail, and if so why? Does that failure tell us anything about the suitability of democracy to Chinese conditions? Only if we can make sense of the contrasting fates of various socialist regimes in the recent past can we hope to provide useful thoughts about China's future.

In 1986 or 1987, the contrasting outcomes of the 1989 events would have been difficult to predict. China had launched bold economic reforms after 1978 that went far beyond anything being attempted in the Soviet Union or Eastern Europe. Rural decollectivization was initiated; the role of the state sector and central planning was reduced; the country was opened to foreign investment and tourism; students were sent abroad for training; special export processing zones were set up; and experiments with private enterprise, stock markets, and bankruptcy were initiated. These and other reforms altered the workings of the economy in fundamental ways. Furthermore, these reforms were in many respects very successful. Without creating serious foreign indebtedness, they contributed to robust economic growth and improved living standards that were the envy of people in Eastern Europe and the Soviet Union. Indeed, Chinese who traveled to their former "elder brother" countries within the socialist camp in the late 1980's were besieged by offers to purchase their food and clothing items, just as visitors from the affluent West had always been.

Since 1989, it has been commonly argued that China's reformers under Deng Xiaoping pursued economic reforms while blocking political ones. There is some truth to this observation. Certainly the political reforms were much less significant than the economic ones. However, if trends in China prior to 1989 are set against what was happening elsewhere in the socialist bloc, the picture is more complicated. Although national, system-changing political reforms remained controversial and were blocked each time they were taken up for discussion, a large number of lesser political reforms were adopted that made Chinese politics in the mid-1980's very different from what it had been in the late-Mao era. Mass struggle campaigns against class enemies were

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[1]Comparisons with the situation in the Soviet Union will also be introduced. For the sake of simplicity, I will use the term Eastern Europe in the narrow sense, to include former Soviet satellites as well as Yugoslavia and Albania, but not the Soviet Union itself.

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repudiated, hundreds of thousands of victims of Mao-era campaigns were rehabilitated, the party's "zone of indifference" in regard to popular behavior and cultural expression was dramatically enlarged, hundreds of thousands of aged bureaucrats were pressured into retirement, civil service–style reforms promoted technocrats and reformers while reducing the role of local party secretaries, and controls over the mass media and the arts were loosened. There is no room here to debate how significant these and other political reforms were. Suffice it to say that prior to 1989, China's leaders were advocating and implementing some political reforms while the leaders of the majority of East European states were frantically trying to hold the line against such changes in the face of popular pressure and resistance. (Here political changes in the Soviet Union prior to 1989 were much more comparable to those in China, although since then, the trends in these two monoliths have diverged sharply.)

I am suggesting that in both economic and political terms, China was moving more successfully toward escaping from some of the maladies of the Leninist system than most of its state socialist counterparts.[2] If one accepts this assertion, then the failure of the Beijing Spring of 1989 is paradoxical and raises issues about whether democracy is unsuited to Chinese conditions now and in the future. In the pages that follow, I will discuss both negative and positive influences on the prospects for democratization in China. Before doing so, I want to clarify that the issue I am raising is not whether China at some point in the near future will become a democracy comparable to those of the pluralist West or Japan or India. Rather, the issue is whether China will advance along a continuum, or perhaps a number of continua, away from Leninist totalitarianism. Democratization, in China's case, might involve some modification of the party's monopoly on power; some ability of groups to organize to pursue interests and promote alternative policies; some degree of legal protection of individual rights vis-à-vis the party; some open, competitive elections of leaders; some degree of autonomy from state control for the mass media, and so forth, although perhaps only some but not all of these changes would occur. China's polity might lose some of its Leninist features, but remain "stuck" in a fairly authoritarian mode; alternatively it might move further along all of these continua of democratization, but in fits and starts.[3] I do not prejudge here the issue of how far the process will go; I am interested simply in whether some degree of meaningful democratization can be expected.

The political changes in China prior to 1989, as discussed earlier, do not represent any substantial degree of democratization, since they only involved the party's temporarily expanding its "zone of indifference" in regard to the population, rather than institutionalizing any of the sorts of checks on its own power just mentioned.[4] For China, then, the question is whether changes will occur comparable to those in, say, Taiwan in recent years or the Soviet Union, not whether a system of fully free elections, competitive parties, a balance of power between governmental branches, and so forth will develop in the near future. For these reasons I have entitled this article "Prospects for Democratization . . ." rather than "Prospects for Democracy."

Barriers to Democratization

A variety of powerful arguments have been raised to explain why democratization is difficult, if not impossible, under Chinese conditions. The first and perhaps most important barrier concerns China's history and traditions. This argument is obvious and familiar. China does not have any significant historical experience with democratic institutions, and, in fact, has a long bureau-

[2]There is a personal element to this claim that the prospects for further change looked brighter in China than in some parts of the Soviet bloc prior to 1989. In January of 1989, I began teaching a seminar jointly with Michael Kennedy, a specialist on Poland, and in that seminar many of the discussions turned on why the Chinese were doing a better job of implementing changes, and why prospects in Poland and elsewhere in Eastern Europe looked so much bleaker. In the wake of the events of 1989, the tables have been turned, and the next time we taught the course (in early 1991) my colleague was guardedly optimistic and I was gloomy.

[3]In conceiving of a number of continua that stretch from totalitarianism at one end to democracy at the other, I see "totalitarianism" and "democracy" as ideal types—no real political system displays all of their characteristics in pure form. However, any existing political system that exhibits most of the traits in fairly clear-cut forms can, following conventional usage, be referred to as totalitarian or democratic (i.e., we can talk in terms of categories instead of continua without doing violence to these definitions). Democratization involves any movement, whether large or small, toward the democracy end of the continua. Thus, under my definition, a shift to an authoritarian system that prevented the population from having a say in selecting their leaders but allowed substantial autonomy to grass-roots social groups would constitute democratization, although at a modest level. However, if the CCP were replaced by some sort of fascist totalitarian regime, no real democratization would be involved.

[4]My claim here is that the political reforms carried out in China in the 1980's, while important, did not amount to a fundamental modification of the Leninist political form. Their impact was in some ways similar to the changes introduced in the Soviet Union under Nikita Khrushchev and Leonid Brezhnev that were intended to reduce the level of terror present under Stalinism and harness modern technocracy in service of the state, while still maintaining the party's monopoly on power and the ability of the party to intervene at will in all areas of social life without opposition or legal restraint. I thus disagree with those analysts who feel that China in the 1980's had completed a transition from Leninist totalitarianism to authoritarianism. The fact that the party in the 1980's allowed more activities it did not approve of to continue did not mean that it had given up the ability to crack down when it chose to do so, as events since 1989 have demonstrated.

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cratic/authoritarian tradition that is profoundly antagonistic to democratization. China being China, this tradition goes back farther and is more continuous than is the case with other former imperial systems, including Russia. This lack of historical precedent for democracy involves more than simply the fact that Chinese emperors and bureaucrats ruled without benefit of popular consent. China's imperial system involved several elements that could be seen as "proto-totalitarian." For example, in state Confucianism, a single set of orthodox ideas was supposed to bind the entire society together under a moral consensus, and numerous indoctrination procedures were carried out among the populace to foster this "one-mindedness." Ideas and groups that seemed to elites to threaten this moral consensus were branded heterodox and suppressed. Intellectuals were closely tied to the state and tended to work within the system to achieve their goals, rather than outside of or against it.[5] The reality of social life in late imperial China was far different from these "proto-totalitarian" ideals, with substantial autonomy from the state found in local communities and organizations, but the ideals of the system nonetheless promoted continual striving for unity and orthodoxy.

With the decay of the imperial system after the mid-19th century, elements of a more democratic order gradually emerged in China—political parties, voluntary associations, mass media with some autonomy, new legal codes and courts, and so forth. However, these changes were partial and fragile, and, after the 1930's, first the turn of the Nationalists toward greater authoritarianism and then wartime conditions created an environment inhospitable to further democratization. Moreover, even the most ardent advocates of democratization prior to 1949 continued to see things in terms that were more "statist" than "pluralist." Even the democratic reforms that were initiated were intended to mobilize popular ideas and energies and thus strengthen the state by providing it with a broader popular consensus. They were not designed to protect individuals and groups from the state or to institutionalize group differences and foster the competition of ideas.[6] The precedents for democracy in China thus were largely foreign in origin, adapted to emasculate any pluralistic emphasis, and fairly fragile.

A second and related barrier to democratization in China concerns the absence of a number of prerequisites. Here the argument is more sociological than historical, and is based upon generalizations from the European experience. The claim is that even though democracies as we know them today did not exist in premodern Europe, a number of elements had developed that made subsequent democratization possible. The exact prerequisites listed by those who make this argument generally include:

- a well-developed legal tradition with an emphasis on the rule of law, rather than of men;
- a highly commercialized society and money economy with private property rights, fostering a conception of equality before markets as well as before the law and some personal autonomy vis-à-vis the state;
- the existence of independent sources of power and autonomous sources of values and beliefs, embodied in a variety of social forms—a separate church hierarchy, a system of competing small states, institutionalized estates, chartered cities, and so forth;
- a large and growing bourgeoisie and/or middle class and conflict between landed and commercial classes;[7] and
- a conception of universal citizenship, the existence of autonomous associations promoting various causes, and a variety of other precursors of "civil society."

Whether one uses this list or some variant, the conclusion reached from such arguments is that China in late imperial times lacked most of the prerequisites for democratization. There was, to be sure, a highly developed commercial economy with private property rights and some elements of a legal system (although not much stress on the rule of law per se). However, most of the other elements listed were totally lacking or only weakly developed, and changes since the fall of the Qing Dynasty have done little to promote the development of such prerequisites for democratization.

A third and compounding barrier working against democratization in China is the transformations of the

[5]My ideas on these elements of the tradition have been influenced by the work of my colleague, Donald Munro. See, in particular, his unpublished paper, "One-Minded Hierarchy versus Interest-Group Pluralism: Two Chinese Approaches to Conflict." A considerable degree of oversimplification is involved in this brief summary; it ignores such phenomena as the problematic reaction of the imperial state to Buddhism. For a fuller discussion of these parallels between the imperial and post-1949 systems, see my introductory essay to the Society section, pp. 295–313, in R. Dernberger, K. DeWoskin, S. Goldstein, R. Murphey, and M. Whyte, Eds., *The Chinese: Adapting the Past, Facing the Future,* Ann Arbor, MI, Center for Chinese Studies, 1991.

[6]The basic work on Chinese interpretations of democracy in this period is Andrew Nathan, *Chinese Democracy,* New York, Knopf, 1985.

[7]The most famous work analyzing the impact of such class conflict on the prospects for democratization is Barrington Moore, *Social Origins of Dictatorship and Democracy,* Boston, Beacon, 1966. In the original Marxist usage, "the bourgeoisie" referred to the rising capitalist commercial elite. In later discussions, the term is increasingly used to refer simply to the middle classes. Versions of the "prerequisites for democratization" argument exist using the bourgeoisie in both of these senses.

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Mao Zedong (left) proclaiming the founding of the People's Republic of China in Beijing on October 1, 1949.

—Eastfoto.

social order that took place under Mao Zedong after 1949. The Chinese Communist Party (CCP) leaders extinguished the fragile elements of democracy that had developed over the previous half century, and, in doing so, realized "one-mindedness" much more thoroughly than their imperial predecessors. All independent associations, mass media organizations, and private enterprises were suppressed or taken over. An extreme version of the Leninist/Stalinist organizational form was implanted in China, a form that was in some ways even more hostile to personal autonomy and individual choice than the Soviet version. In particular, after the mid-1950's, China made more thorough attempts to destroy markets as a principle of distribution, virtually eliminating the labor market and making individuals dependent upon bureaucratic allocation for most of the necessities of life.[8] Although initially some autonomy and diversity in lifestyles and culture were permitted within this system, in Mao's later years, and particularly after the Cultural Revolution was launched in 1966, an extreme intolerance toward anything that deviated from orthodox "proletarian" culture was enforced, making politically risky not only deviant political views, but even such innocuous behavior as wearing colorful clothing, enjoying traditional Chinese operas, or raising goldfish. By the time Mao died in 1976, even the partial steps toward democratization visible in China before 1949 were no more than a distant memory. They had become completely alien to the ways people had to operate to survive within the Maoist order.

Both the immediate and longer-term historical precedents in China thus appear profoundly hostile toward democratization. To this list of barriers we must now add a fourth barrier: China's poverty, low level of education, large territory, preponderance of peasants, and huge population. A number of familiar arguments can be made in regard to these factors:

- the task of holding the country together and launching modernization in a world filled with richer countries requires a strong central government capable of mobilizing all national resources;
- democratic forms and procedures are slow and unwieldy and tend to produce rancorous debates and regional animosities at a time when tight national unity is needed;
- democracy requires a well-educated and informed citizenry, and if the population is too poor and illiterate, they will be unable to make informed decisions about political matters and thus will be vulnerable to mobilization by demagogues and other enemies of democracy;
- peasants care about little apart from feeding their families, and they may prefer strong leaders who rule by the knout rather than the ballot;
- to control population growth and deal with other pressing crises, a government has to adopt and maintain harsh measures, and thus democratic forms are unsuitable for countries facing such problems.

Such arguments can be seen as another version of the "prerequisites for democratization" argument (now involving current socio-economic conditions rather than historical experiences). They imply that democratization is unlikely to occur except in relatively rich and well-educated societies. Critics of such arguments often point to India as an exception to these generalizations. However, the usual response to such critics is that India is the exception that proves the rule. Democratic forms were imposed from the outside by British colonial rule, and recurring political turmoil in India and the difficulty of pursuing population-control policies

[8]The nature of these transformations is described in detail in Martin King Whyte and William L. Parish, *Urban Life in Contemporary China*, Chicago, University of Chicago Press, 1984; and Andrew Walder, *Communist Neo-Traditionalism*, Berkeley, CA, University of California Press, 1986. In the Soviet Union and Eastern Europe, by contrast, in most periods a labor market existed, individuals could change jobs, and many more consumer goods and other valuables could be purchased simply with cash, and without specific bureaucratic approval.

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there illustrate quite clearly, so the argument goes, the liabilities of a democratic system in a large and poor country.[9]

All of the arguments considered so far point to a conclusion that democratization is less likely in China than in the countries of Eastern Europe, where at least some democratic elements existed in the historical tradition, more preconditions of democracy were present in the modern period, the Leninist system implemented after World War II was less rigid, and higher levels of economic development and literacy existed overall.[10]

A fifth barrier to democratization in China might be called the "no Gorbachev" argument. In all of Eastern Europe, except for Albania and Yugoslavia, state socialism was imposed after World War II through Soviet military occupation, and the shaky legitimacy of the resulting regimes depended upon Soviet backing. Soviet military force and the threat of such force served to maintain compliant regimes in power, most dramatically in Hungary in 1956, Czechoslovakia in 1968, and Poland in 1980–81. When Gorbachev assumed power in the USSR and repudiated the "Brezhnev doctrine" (which pledged Soviet military support whenever socialism was endangered), the critical prop sustaining Leninist regimes in Eastern Europe was removed, and they rapidly crumbled.

Here the contrasts with China are clear. China's socialist revolution was indigenous, rather than imposed via Soviet occupation. The Sino-Soviet split after 1960 reduced any Chinese economic and military dependence upon the USSR to essentially zero. China's leaders in 1989 were still, for the most part, representatives of the generation that fought in the hills to bring their Leninist system to power, not successor *apparatchiks* dependent upon Soviet support. Withdrawal of Soviet backing and even the collapse of the Leninist system in the USSR itself would not knock the foundation out from under the system in China, as the events since 1989 have shown.

A final barrier, in terms of the prospects for democratization in China, is the state of the economy in the early 1990's. China is a very poor country facing daunting economic problems. However, these economic problems do not appear to be as crippling as those that faced the Soviet Union and Eastern Europe in the 1980's. Many would argue that severe economic crises and the inability to solve them within the existing system were the critical factors paving the way for dramatic changes in other Leninist systems. If that is so, then this critical factor is lacking in the Chinese case. China's economy is in considerably better shape than it was when Mao died. Even though China's economic reforms are no longer producing the buoyant growth they did in the early 1980's, most economic trends are still positive. Indeed, since the 1989 crackdown, the inflation rate has decreased and China's trade surplus has grown dramatically. Those in China who would like to argue that only system-transforming changes will solve the country's economic problems have a more difficult "sell" than their counterparts in Eastern Europe and the Soviet Union.

This listing of obstacles to democratization in China is not exhaustive, but it encompasses the most important arguments usually raised. If we stopped at this point we would have to conclude that it is hardly surprising that China's 1989 democracy movement failed. However, before we accept such a conclusion we need to consider the other side of the question. What are the factors that might work in favor of democratization in China?

Forces Favoring Democratization

The first set of positive forces requires us to qualify the "lack of a democratic tradition" argument. Even though in many respects China's historical tradition was not democratic and can even be seen as proto-totalitarian, as discussed earlier, the picture is not entirely bleak. There are a number of elements of China's historical tradition that are compatible with democratic ideals and institutions. Beginning with Kang Youwei in the late 19th century, Chinese reformers have argued that democracy is not entirely an alien Western import.[11] Proto-democratic elements can be derived from the paternalistic ethos of state Confucianism. Rulers and officials were not seen as simply having a divine right to their power, but as obligated to promote the welfare of the population. Intellectuals and officials could

[9]Readers will have noticed that there are two different arguments masquerading as one here, arguments we might call the "can't" and "shouldn't" versions. The can't version says that democracy cannot easily arise in poor and populous countries, unless there are very special conditions, such as India's long experience as a British colony. The shouldn't version says that if democracy should arise in such a country, the results will be harmful to that country's national development and political unity. Whether India should be seen as an example of the costs of democracy or of its virtues is, of course, a question of considerable debate.

[10]There is not space enough here to provide details on these claims for the various East European countries, and they apply more to Czechoslovakia, East Germany, Poland, and Hungary (and also Slovenia and Croatia) than to Bulgaria, Romania, and the southern republics of Yugoslavia (not to mention Albania). What I have in mind here, in terms of the less rigid Leninist forms, are such things as the presence of the Catholic Church and private agriculture in Poland, the market reforms and "soft totalitarianism" of János Kádár's Hungary, and access to West German radio and television in East Germany.

[11]On these attempts to find ancient Chinese roots for democratic ideals, see Nathan, op. cit.

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and did "remonstrate" the ruler when they saw his actions and policies deviating from what they felt would produce harmony and prosperity, although such actions risked dismissal and even death. Under extreme circumstances, when the dynasty had become hopelessly corrupt and oppressive, the "mandate of heaven" concept could be used to justify overthrowing rulers and establishing a new regime. Even though there were no elections, periodic protests and rebellions made it clear to China's emperors that in some form the consent of the governed was both necessary and problematic.

A related set of ideas concerns human perfectability. Although at any point in time it was recognized that some individuals were better educated and more capable of behaving properly than others, and that therefore "mean people" had to be supervised and controlled, the Chinese still had an abiding faith in the power of education and moral example to guide any individual toward the proper path. Unlike in feudal Europe or Japan, not to mention India, there were only small and marginal groups who were seen as fundamentally inferior and not capable of aspiring toward the moral standards of the Confucian gentleman. There was no assumption that peasants, illiterate people, or other large groups were inherently inferior or that they could not be brought to an awareness of moral and political propriety.[12] To be sure, notions comparable to modern citizenship did not exist in imperial China, but these traditional conceptions of the educability and perfectibility of virtually all Chinese provided some potential basis for notions of democratic citizenship.

To these potentially democratic elements of the traditional legacy must be added the consequences of the substantial de facto autonomy and self-regulation of local communities and associations mentioned earlier. Even though there was a recurring effort to foster compliance with orthodox ideals, in fact the imperial bureaucracy was pitifully small, unable to reach further down into society than the county magistrate's office. Below this level there were some official efforts to shape local community organizations (through such mechanisms as *baojia* and *lijia* semi-official groupings),[13] but these were never very successful. To a substantial extent, Chinese organized their own social lives through such forms as lineages, clan associations, guilds, secret societies, temple associations, and native-place associations. Some of these organizational forms were run quite autocratically, while others involved substantial degrees of member involvement. Whatever the case, the important point here is that at the bottom of Chinese society in late imperial times the principle of organization was nonbureaucratic. Chinese have a long tradition of organizing their own local affairs without waiting for official guidance.[14]

A further important point about traditional influences involves the changes that occurred after the late Qing, and particularly during the first decades of the 20th century. Institutional forms and ideas that promoted autonomous associational life strengthened during this period. Even though, as noted earlier, these developments were fragile and after the 1930's faced increasing danger from the authoritarian Nationalist state, they constituted an important departure from the practices of imperial China. Many analysts have pointed to occupational associations, trade unions, privately owned mass media, political parties, local assemblies, literary clubs, and other developments of these years as signs of growth of a relatively new Chinese "public sphere" or, to use a related concept, a "civil society."[15] Even though Chinese living today have had little experience with the formal institutions of democracy, many of them grew up in a China in which there was much more autonomy at the grass roots than has existed since 1949.

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[12]The composition and size of the outcast groups in China varied somewhat over time, and depending upon various criteria, included slaves, prostitutes, soldiers, actors, and some quasi-ethnic groups (such as the "boat people" of South China). However, in percentage terms, these groups were very small, probably constituting less than 5 percent of the population. Of course, all women were excluded from the civil service examinations, and their status was clearly inferior to men. However, they were not regarded as outcasts as were the groups just mentioned, and like men, they were considered capable of moral perfectability.

[13]The *baojia* system involved groups of 10, 100, and then 1,000 neighboring families that were set up for mutual-surveillance and social-control purposes. The *lijia* system involved comparable groups that were to assist in tax collection. See the discussion of these historical precedents in my book, *Small Groups and Political Rituals in China*, Berkeley, CA, University of California Press, 1974.

[14]To point out the obvious, even in the democratic West, many of the organizations that manage the daily lives of citizens (such as industrial firms and trade unions) are not very democratic. See the discussion in S. M. Lipset, Martin Trow, and James Coleman, *Union Democracy*, Glencoe, IL, The Free Press, 1956. Some analysts argue that what is important for the existence and maintenance of democracy is not that every organization be run democratically, but that there exist organizations and associations that speak with different voices and give citizens some degree of choice and protection from the power of the state. See, for example, Edward Laumann, *Bonds of Pluralism*, New York, John Wiley, 1973.

[15]See, in particular, William Rowe, "The Public Sphere in Modern China," *Modern China* (Beverly Hills, CA), July 1990, pp. 309–29; David Strand, "Protest in Beijing: Civil Society and the Public Sphere in China," *Problems of Communism* (Washington, DC), May-June 1990, pp. 1–19. I have discussed such claims more fully in a recent paper, "Urban China: A Civil Society in the Making?" in Arthur Rosenbaum, Ed., *State and Society in China*, Boulder, CO, Westview, 1992. In these discussions, the term "public sphere," borrowed from the work of Jürgen Habermas, refers to the existence of a separate realm between the state and the private (in Chinese, these realms are the *gong*, as contrasted with *guan* and *si*). Civil society is a concept referring to a multiplicity of substantially autonomous organizations and associations which arise to fill up and organize life within the public sphere.

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Because this period was more recent than in the case in the Soviet Union, and because more of the leading figures in such pre-1949 associations have survived in China than in the USSR (as a result of both this time difference and Stalin's purges), notions of getting things done in local communities without relying totally on state guidance are not so alien as my earlier discussion implied. If we think not in terms of whether democratic institutions existed in the Chinese tradition, but of whether certain elements developed that are compatible with democratization, then the influence of China's historical legacy is not as negative as many have argued.

A second set of potentially positive forces concerns China's population composition. The sheer size of China's population may be considered an obstacle to democratization, but certain other aspects of that population work in the other direction. The first aspect I have in mind is China's substantial ethnic homogeneity. Approximately 92 percent of China's total population is Han Chinese, whereas only about 50 percent of the population of the former Soviet Union is Russian. Ethnic differences and nationalistic sentiments make it difficult to develop shared power in democratic institutions, and democratization may be resisted by elites when it threatens to lead to the breakup of the state. Not only developments in 1991 in the Soviet Union and Yugoslavia, but also intense conflicts in Lebanon, Northern Ireland, and many other parts of the globe illustrate the dangers involved. To be sure, these problems are not absent in China. China's minorities occupy disproportionate shares of the country's territory and have often been mistreated by their Chinese overlords, and democratization might well lead to secession of Tibet and perhaps some other areas. Animosities among the various linguistic and regional groupings that make up the Han Chinese (e.g. between Cantonese and Mandarin speakers) are not trivial either. However, on balance, China's long history of territorial unity despite such conflicts and the sheer preponderance of the Han Chinese make the "ethnic problem" less of an obstacle to democratization in China than in many other places.

Some other aspects of China's population composition may also be seen as positive. Democratic institutions work best when status and economic differences among the population are modest. Not only ethnic and religious cleavages, but large differences in incomes and wealth, constitute obstacles to democratization. The principle here is simple—elites resist the devolution of power into the hands of the population if they fear that the result will be the poor using their greater numbers to mount class warfare and seize elite wealth. Within communities, sharing of power is difficult if groups sense that the things that divide them are more basic than what they share in common. China's current rulers may have monopolized power quite thoroughly, but they have not amassed great wealth,[16] and official policies and the pattern of economic development in China since 1949 have resulted in distributions of income and wealth that are more equal than in most of the third world. Insofar as substantial income equality is a prerequisite for democratization, China stands on the positive side of the ledger.

Another aspect of population composition concerns China's educational level. Access to education and literacy levels have been rising fairly steadily throughout the 20th century, and currently virtually all Chinese children (more than 95 percent) attend school at least long enough to become minimally literate. Even though Chinese urbanites and intellectuals continue to look down upon peasants as ignorant and illiterate, such sentiments are based more on prejudice than on reality. General educational levels in China today are certainly much higher than in 18th-century England or America, and they are also higher than in contemporary India. Insofar as general literacy and the potential for an informed public are important to the operation of a democratic system, China today can be seen as a positive, rather than a negative, case.

A similar argument can be made about China's level of urbanization. It is often assumed, as noted earlier, that the fact that 70–80 percent of all Chinese are peasants represents a formidable obstacle to democratization. However, if we consider where pressure for democratic change might come from, it is not clear whether it is the relative or the absolute size of the urban population that is important. China's urban population may be small proportionately, but at the same time, China has more urbanites than America or Russia has people! The conditions of modern urban life (large concentrations of people with access to mass media; standards of living above a bare minimum; at least a moderate degree of education, civic concern, and awareness of the outside world; etc.) help lay the groundwork for democratic change, and China has a very large urban sector that can play this role. The fact that the 1989 demonstrations spread to hundreds of towns and cities beyond Beijing, and that apparently the students aroused considerable sympathy for their cause, seems to indicate that Chinese cities can generate very substantial

[16]To the degree that corruption has increased during the reform period, however, this claim would need to be qualified. The new wealth that has accumulated in the hands of the families of China's elites in the 1980's was one of the main targets of the student demonstrators in 1989, and the desire to hide and protect this new wealth may have added to the motivations the leadership had to resist student demands.

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Red Guards hold aloft the little red book of Mao's quotations at a demonstration during China's Great Proletarian Cultural Revolution.

—Eastfoto.

pressure for democratization, despite the fact that the majority of the population is rural.[17]

A third set of potentially positive forces for democratization involves some of the legacies of the Mao era, and of the Cultural Revolution decade in particular. That this period should have contributed to the potential for democratizing change is ironic. At the time, the mass rallies of Red Guards who sang the praises of the Great Helmsman seemed as far as you could get from a breeding ground for democratic sentiments. How did this era foster democratization?

A critical feature of the mass-movement phase of the Cultural Revolution (1966–69) was that all the bureaucratic structures of authority, with the exception of the People's Liberation Army, fell under attack and ceased to function normally. This development meant that normal Leninist grass-roots social-control structures and indoctrination activities were immobilized, and large numbers of people had opportunities to roam around the country, engage in unsupervised activities and conversations, and think deeply about the turmoil that enveloped their society. In this relatively unsupervised atmosphere, many people had to deal with very unpleasant realities about Mao's China. Some became targets of mass struggle or were forcibly shipped off to the countryside; others had family members or friends lose housing, be deprived of needed medical care, or commit suicide. Many learned the seamy details of the corruption and hypocrisy of their leaders and of the poverty and superstition prevailing in China's villages.

[17]See Jonathan Unger, Ed., *The Pro-Democracy Protests in China: Reports from the Provinces*, White Plains, NY, M. E. Sharpe, 1991. The point raised here calls our attention to the distinction between forces that may foster democratic changes in the first place and those that may strengthen or undermine any more democratic regime that emerges as the result of such pressure. China's peasants may be unimportant actors in any future democratizing changes, but their presence could make it difficult to achieve a stable and fully democratic regime. Certainly, most of the student demonstrators of 1989 would have been horrified at the prospect of a "one-man-one-vote" system in which they had no more voice than an ordinary peasant.

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All had to struggle to comprehend how the combination of a supposedly wise leader and loyal followers produced vicious factional fighting that killed thousands and tore society apart. The combination of release from organizational discipline and confrontation with suffering and violence led to a shattering of faith in the system for many Chinese, and a groping for alternative ideas. Paradoxically, then, a movement that appeared to be leading to a hysterical form of "one-mindedness" produced in its wake critical thinking and spreading alienation. Perhaps the impact of these developments was greatest on former Red Guards who were shipped off to the countryside after 1968. But many intellectuals, ordinary citizens, and even some leaders (those who survived purges and rehabilitations) began to believe that basic changes in the political system were required.

Mao tried to re-impose organizational discipline and reinforce "proletarian" indoctrination in the years after 1969, but the damage to the system was too extensive to be remedied by customary Leninist tactics. Then, after Mao's death in 1976, and the repudiation of Cultural Revolution policies and the launching of the reform program that followed in its wake, those who had lost faith in the system began to make their feelings known. During the 1980's, it became increasingly possible to share grievances and critical ideas with other like-minded people and even get such ideas published in the mass media. Large numbers of individuals who had been victims not only of the Cultural Revolution, but of earlier struggle campaigns, and particularly of the anti–rightist campaign of 1957, were "rehabilitated" and given positions as writers, teachers, film-makers, journalists, and editors—positions from which they could spread their critical ideas to the literate public and particularly to China's young people. Repeatedly during the decade, media discussion and popular debate spread beyond economics to address China's need for political reforms. The sense that China's Leninist state had become a stultifying and barbaric relic blocking further progress was increasingly shared by many critical intellectuals.

Wei Jingsheng had expressed this sentiment during the 1978–79 "Democracy Wall Movement" to justify his call for a "fifth modernization," democratization, which he argued should accompany the other four modernizations of the official slogan. He stated: "In our history books the people are the masters who create everything, but in real life they are lackeys, always standing at attention and waiting to be 'led' by leaders who swell up like dough under the effect of yeast."[18]

Wei Jingsheng was arrested in 1979 and given a 15-year prison sentence for expressing these views. His fate might be seen as discouraging, in terms of the prospects for democratization in China, but what impresses me about the period prior to 1989 is that despite periodic crackdowns and even arrests of critical intellectuals, democratic "surges" kept reappearing, particularly in the student demonstrations that erupted more or less annually starting in 1985. These developments indicate that the situation had changed fundamentally from the Mao years. An official crackdown, with its use of the age-old Chinese tactic of "killing the chicken to scare the monkey," no longer had the intended effect. Rather than respecting and fearing the power of the party-state, educated Chinese kept sharing their sentiments that the political system had to be changed, and they acted on those sentiments when the opportunity to do so appeared. Of course, the crackdown launched in 1989 was much more severe and prolonged than such 1980's predecessors as the "anti–spiritual pollution campaign" of 1983–84 or the "anti–bourgois liberalization" campaign of 1987. However, there is not much sign that the current round of tightened discipline and heightened political indoctrination is enjoying more success than previous attempts to inoculate China's body politic against future democratic surges.

A fourth force with some potential to foster democratization concerns mortality. The immediate outcome of 1989 was that a group of China's aged (and formally retired) party leaders stepped back into the political fray and took charge of policy once again. However, most of these individuals are octogenarians, and even the fabled secrets of traditional Chinese medicine are not likely to keep them with us much longer. Although they have used younger leaders, such as Li Peng and Jiang Zemin, to fill formal leadership positions, Li and Jiang and others like them have little authority without the backing of their elders. The immediate question this mundane observation leads to is what will happen when Deng Xiaoping, Chen Yun, and the others die? Will they be succeeded by new leaders willing to continue present policies, or by others with different views?

I take it as a hopeful sign that relatively few of the officials promoted into leading positions during the reform years prior to 1989 have been purged. I do not assume that most of China's middle-aged party leaders are closet Jeffersonian democrats, but they are, at least, not totally identified with the wartime struggles to create the revolution. Many have varying degrees of commitment to reform ideas and a desire to adopt measures that would restore some of the dynamism that charac-

[18]Wei Jingsheng, "The Fifth Modernization," translated in James D. Seymour, Ed., *The Fifth Modernization*, Stanfordville, NY, Human Rights Publishing Group, 1980, p. 49.

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terized China prior to the events of 1989. If a sufficient number of such leaders, or a few particularly powerful ones, become convinced that major political reforms are required for China to deal with its problems, then they may launch such changes. The example of the Soviet Union shows that postrevolutionary leaders who have come up through the party are, under certain circumstances, able to launch and protect even system-transforming political changes. Whether China is likely to produce the likes of a Gorbachev or a Boris Yel'tsin is, of course, impossible to say, but the looming succession will surely leave China with leaders quite different from those who presided over the 1989 crackdown.

A fifth potentially positive force that may foster democratization is the linkage between economic reforms and political trends. Even though China's gerontocrats at times sound as if they want to turn back the clock, they in fact maintain a considerable commitment to the economic reforms introduced after 1978. As long as this commitment is sustained, economic reforms will foster trends that work against the reassertion of strict Leninist political controls. A complex set of phenomena lie behind this simple assertion, and there is not enough space here to go into the matter in the detail it deserves. Let me instead list a number of trends connected to the economic reforms that have had and will continue to have some erosive impact on the party's ability to exert total control over society.

Economic reforms have weakened the power of the central state bureaucracy over Chinese society and produced a growing awareness that people's economic fate is tied to their local enterprises and governments, rather than directly to a unitary system controlled from Beijing. By the same token, reforms have put funds and decision-making power in the hands of provincial and local governments, work organizations, entrepreneurs, and individual families, and in some cases, these resources have been used to flout the messages coming from the party center and to organize to promote particular interests. In the first half of this paper, I noted the claim that the personal autonomy provided by distribution through markets rather than through bureaucratic allocation is a vital prerequisite for democratization. If that is the case, then the fact that market reforms in China have progressed much further than those in Eastern Europe prior to 1989 or in the former Soviet Union even at present counts strongly in China's favor. Reform policies also give greater authority and prestige to experts, entrepreneurs, and intellectuals; hard-line political leaders know they cannot treat these people too nastily without threatening the health of the economy. For this reason, intellectual as well as economic autonomy advances. The maintenance of the open-door policy also means that the Chinese will continue to have access to news and ideas from other countries, and this outside cultural influence will continually threaten official claims that China is following the only proper road.

Perhaps the most basic implication of the reforms is that China under Deng Xiaoping has adopted a form of "goulash communism." Increasingly, the system is justified not by reference to messianic political goals, heroic nationalist struggles, and the construction of a more perfect society, but by its ability to produce and deliver goods and raise living standards. With this shift, the party loses its monopoly over questions of morality and value, and public opinion emerges and plays a heightened role. China's leaders become to some extent accountable—they have to worry about popular sentiments and whether consumption difficulties are creating growing resentment toward officials and their policies. Even though China's leaders have considerable resources that they can use to persuade the population that things are fine and getting better, there are limits to how successful official public relations campaigns can be. If the economic situation takes a serious turn for the worse, China's leaders now have to worry very much about their loss of popular support, worries that Mao Zedong never had to face in the wake of the regime-induced economic debacles of the 1950's and 1960's.[19]

A sixth potentially democratizing force concerns events taking place in the outside world. China in the 1990's faces a very different world from the one that existed less than a decade ago. The main change is simply the downfall of the system in the Soviet Union and Eastern Europe. China now stands alone (or alongside of North Korea and Cuba) in trying to preserve the Leninist system in the face of democratizing changes elsewhere in the socialist world. Another set of influences come from Asia, where the "people's revolution" in the Philippines and democratizing reforms in Taiwan increase the sentiment that China is out of step with modern trends. The changes in Taiwan are particularly important in this regard, since they demonstrate that a formerly Leninist party (the KMT) operating in a Chinese cultural context can abandon its monopoly on power without (so far, at least) chaos resulting. In to-

[19]Recognizing this constraint, China's leaders have taken a number of steps since 1989 to halt or restrict public-opinion research. The two Chinese intellectuals given the longest prison terms for supposedly influencing the student demonstrators, Chen Ziming and Wang Juntao, ran a research institute that conducted controversial public-opinion polls. In December 1990, China's State Education Commission adopted a ban on collaborative social survey projects with foreigners, and the document announcing the ban specifically mentions the danger posed by public-opinion polls.

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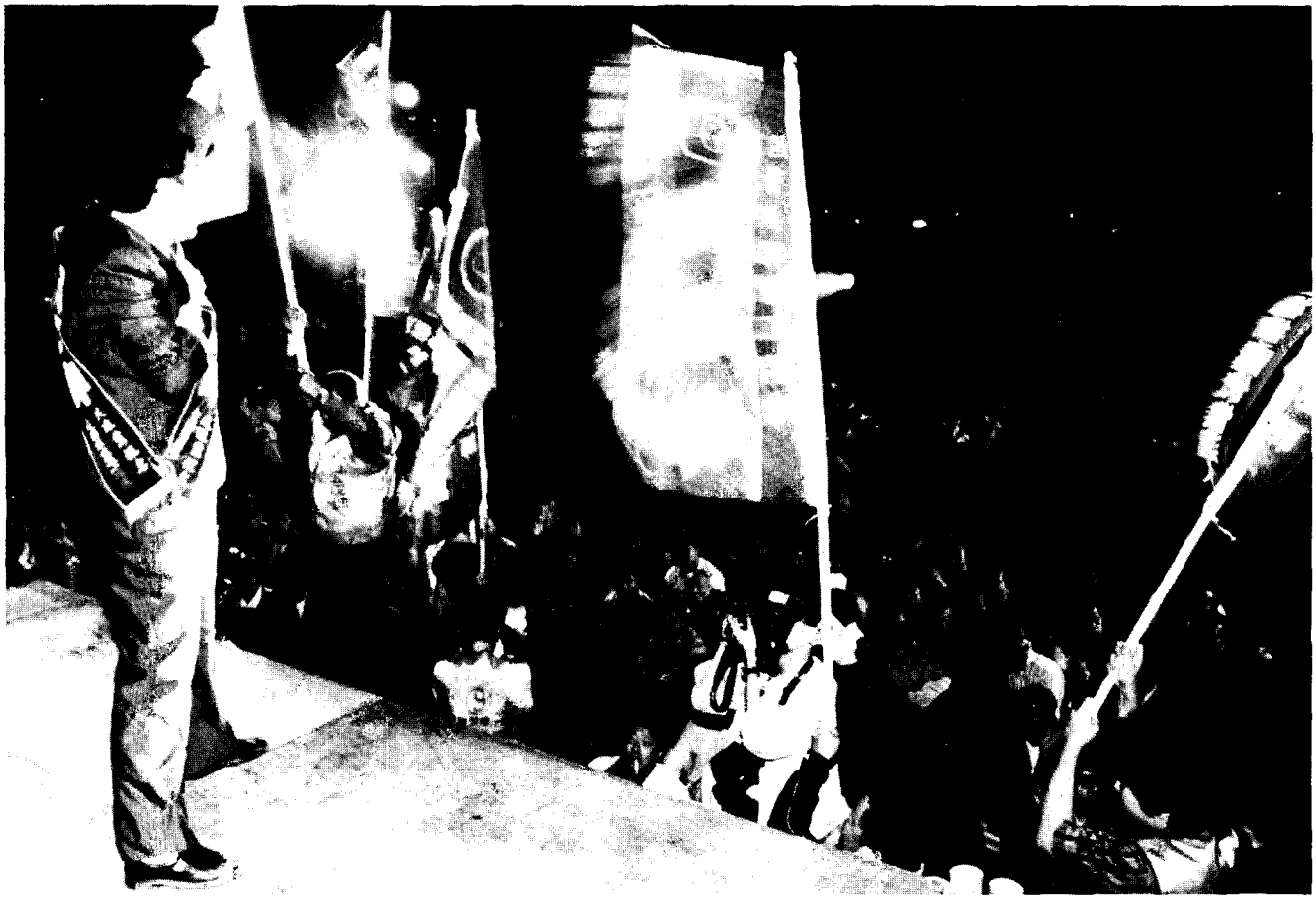

Hung Mou-kwun, an opposition candidate for a seat in Taiwan's National Assembly, addresses a rally on December 10, 1991, in Taipei demanding the release of jailed dissidents.

—Reuters/Bettmann.

day's world, external influences fostering democratization have become more important than in the past, making internal preconditions less salient.

To be sure, in the short term, the effects of some of these changes elsewhere have worked against democratization. Seeing the Ceauşescus executed, for example, did not heighten the ardor of Deng Xiaoping, Li Peng, and others for democratic changes. Also, nationalistic strife in Yugoslavia, the Soviet Union, and even in Czechoslovakia is likely to encourage China's leaders to resist major moves toward democratization. However, in the long run, the more positive consequences of the democratizing trend occurring in so many other parts of the world is likely to impress the Chinese. As noted earlier, the maintenance of the open door means that many Chinese will be quite aware of how out of step China is with trends elsewhere, and there is little enthusiasm for solitary socialism.[20]

A seventh and final force that may foster democratization is the effect of the Tiananmen massacre itself. One very important new grievance has been added to the set of criticisms of the system existing prior to 1989—China's leaders, and China's army, now have the blood of many of their citizens on their hands. To be sure, Chinese communism had produced many victims in earlier years and campaigns. However, for the most part, these earlier episodes either were less visible or involved people the regime could stigmatize as "class enemies." The Tiananmen massacre was very different. The sight of peaceful young people demonstrating to reform the system being slaughtered by the army to preserve the power of the party leadership had a traumatic impact on popular consciousness, at least in urban areas. Many who were reluctant critics were transformed into bitter enemies of the regime. China's

[20]From the logic of these ideas it is apparent that the influence of world events on democratization in China may depend upon the specific nature of those events. If other systems that democratize, and perhaps particularly those in the former socialist bloc, descend into economic crises and nationalistic warfare, then the positive influence of this factor may be wiped out.

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At left: a pro-democracy demonstrator raises a school banner in Tiananmen Square in front of the portrait of Mao Zedong; at right: pro-democracy demonstrators crushed to death during the onslaught of Chinese army tanks and troops near Tiananmen Square on June 3–4, 1989.

—Reuters/Bettmann and AP/Wide World.

hard-line leaders hope that time and perhaps good economic results will heal all wounds, and that eventually the brutality that the Tiananmen Square massacre illustrated will fade from memory. So far, I see little sign of this happening.

Conclusions

I began with a number of powerful arguments why democratization is unlikely in China. I then listed a series of other arguments why at least some democratizing changes are likely. How are we to judge between these contending arguments? I have no ready answer to this question. My main purpose in this exercise has been to persuade readers that the absence of meaningful democratization in China is not inevitable and eternal. If the ideas in the second part of this article have any value, they indicate that the odds against democratizing changes in China are not so long as many doubters have assumed.

In reflecting on these contending arguments, it may be useful to think about certain parallels with the Soviet Union. The collapse of Leninism in the Soviet Union was not widely anticipated. Most of the arguments that were made in the first half of this article, and particularly those concerning the lack of a democratic tradition, had been made about Russia as well. The Soviet Union also faced a number of distinctive obstacles to democratization, since it was a multinational state, the founder of state socialism, and a country where very few living people had known any other way of life. It is also well to remember that only a few years ago, most analysts believed that the political system that existed in the Soviet Union was unusually powerful and resistant to change. Yet within a very short space of time, the structures of Leninism collapsed, although it is still unclear what will take their place. If this fate could befall the Soviet Union, might we not expect a comparable fate to await the apparently powerful party-led system in China?

At this point those who remain skeptical about the chances for democratization in China usually fall back on statements about the bureaucratic/collectivist tradition stretching back millennia and the low level of economic development in China, along with the general distance of the middle kingdom from Western culture and democratic ideals (all factors bearing more on the Chinese than on the Soviet case). Lurking behind some of this skepticism, I suspect, is a certain ethnocentrism—democracy is fine for us, but it is not to be expected of people raised in such a different tradition. I remain unconvinced that under contemporary world conditions, democratization requires a Western cultural grounding. People in any cultural tradition may want to have some role in managing their own affairs and some say in picking the leaders who will exercise con-

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trol over them, especially when they hear of people in other societies who are gaining such power. Some would even contend that experience in a Leninist system is the best "school" for learning democratic values. Only when you have learned what life is like in a political order where you are totally dependent upon the whims of distant and unresponsive leaders will you acquire a visceral hunger for democracy.

Furthermore, the arguments about China's backwardness bring to mind the patronizing program of "political tutelage" that Sun Yat-sen advocated in the early 1920's. Sun's argument was that the poorly educated Chinese people were not yet ready for democracy, and that they had to be led by strong leaders until they became ready. The subsequent history of Sun's Nationalist Party suggests that this sort of political tutelage argument was a convenient rationalization for indefinitely postponing any meaningful changes. Even the democratizing reforms occurring in Taiwan more than 60 years later were grudging concessions of the KMT to social forces, not enlightened ceding of power after the successful completion of democratic tutelage. The fact that doctrines of "new authoritarianism" were being advocated by some of China's leaders prior to 1989 suggests a similar effort to forestall meaningful democratization.[21] In response to such "not ready" arguments, I tend to side with Mao Zedong, who pointed out that the only way to know how a pear tastes is to eat one. Similarly, democratic procedures should be learned by actual experience, rather than by tutelage from authoritarian leaders.

For several reasons, then, I feel that the odds are not stacked hopelessly against democratization in China. Similar sentiments lead me to conclude that the failure of the Beijing Spring was not inevitable. My sense is that this outcome was a rather close call, and that if a few developments had occurred slightly differently, the outcome might have been very different.[22] Social theorists often argue about the relative roles of system determinism and historical contingency in explaining events. Given the arguments reviewed in the preceding pages, I believe that contingency played the greater role in deciding the outcome in 1989. If that is the case, then may it not also be true that there is plenty of opportunity for historical contingency to operate in determining China's future, perhaps producing a more democratic order in the next round?

[21]See the discussion in Ma Shu Yun, "The Rise and Fall of Neo-authoritarianism in China," *China Information* (Leiden), Winter 1990–91, pp. 1–18; Stanley Rosen and Gary Zou, Eds., "The Chinese Debate on the New Authoritarianism," *Chinese Sociology and Anthropology* (Armonk, NY), 4 issues, Winter 1990–Fall 1991.

[22]For example, what if Zhao Ziyang had not been weakened by economic problems and political miscues in preceding months? What if the editorial board of *People's Daily* had overriden their overseers and run an editorial repudiating the hard-line April 26th editorial? What if Wan Li had not been off touring North America? What if Chen Yun or other gerontocrats had died before Hu Yaobang? What if Wuer Kaixi had behaved more respectfully toward Li Peng in their televised discussion? The inability of the party leadership to decide what to do, an inability that prolonged the demonstrations, indicates to me that things came close to working out very differently.

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The Crisis of Authoritarianism in North Africa: The Case of Algeria

John P. Entelis

On the eve of the 21st century, a worldwide crisis of authoritarianism has developed that has brought into question the legitimacy and competence of all kinds of authoritarian political systems. The consequences and responses to this global crisis have varied widely, ranging from direct transition from autocracy to democracy (as in Eastern Europe) to increased repression and intensified authoritarianism by reactionary old guards (as in China).

Humankind is at a great turning point in world history as transnational forces involving a dynamic global economy and revolutions in technology and information are compelling authoritarian governments to open up their economies and relax their political controls. Whatever the style, content, and configuration of the response, it is clear that authoritarian politics has failed miserably in providing the "purposeful efficiency" promised by dictatorial rulers and ruling one-party states. The more inflexible and fixed the political structures, the more susceptible they are to domestic and foreign challenges.

The political systems of the Arab world in general and of North Africa in particular are probably the most prone to fundamental challenge. They have all failed to deliver on their exaggerated promises. The supposed advantages of authoritarianism in bringing about economic development have proved illusory.

However, the dramatic failures of command economies and top-down political orders have yet to bring about a transition to democracy in the Maghreb; nor have market forces there overcome entrenched bureaucracies. In North Africa, political democracy has often meant little more than new slogans, altered party labels, and manipulative discourses unrelated to a fundamental appreciation of individual rights, human liberties, freedom of choice, socio-political pluralism, and the legitimacy of majority rule.

Yet, what is different today in North Africa is that the forces of modernization have made it harder for leaders to use sheer political power to mobilize and dominate a society. Increasingly, there is an awareness that authoritarian rule can be a liability in achieving progress. The idea that centralized power enhances the state's ability to shape society has been dealt a devastating blow by the records of the states that have tried to carry this idea to the extreme.

Clearly, the process of transition from "crisis" to "transformation" in the Middle East and North Africa will be both difficult and long, as the 300–400-year experience of building democracy in the West has illustrated. More important, perhaps, is that in all the transitions occasioned by a crisis of authoritarianism, there is a fundamental, psychologically disturbing clash between the culture of modernization ("world culture") and the various national political cultures ("national culture"). Arrayed on one side are the technocratic considerations imposed by the combined imperatives of market economics, technology, and the principles of efficiency associated with rational public policy. On the other side is the basic need of every polity for a sense of self-identity, for the dignity that comes from a fundamental belief in the collective uniqueness of the national entity and its spirit of community.

In the Maghreb today, the conflict between the power of "technocratic rationality" and indigenous culture is

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deep and widespread. Probably in no other region of the Islamic world does the modernization process take place in a context of such constant battling between two uneven forces—the impersonal and universalistic requirements of the world culture as articulated by Westernized national elites, and the particularistic passions of group identity that find their most visible expression in Islamic revivalist movements. While all cultures are to some degree protective of their indigenous uniqueness, Maghrebi political culture with Islam at its core is hypersensitive about perceived threats of foreign ideas and practices.

Whatever the ultimate outcome of the "crisis of authoritarianism," it is clear that the psychological "shock" experienced by rulers and followers alike at the failure of authoritarianism is critical in the weakening of the legitimacy of incumbent authoritarian leaders. It is also crucial in raising the level of political consciousness and education among the masses so as to prepare them for taking control of their own political destiny. Given the long years of authoritarian rule in the Maghreb, it will be difficult for people to accept the uncertainties of a society organized around democratic politics. Certain features of the traditional political culture that are suspicious, if not disdainful, of the spirit of competition and compromise essential for "real" democratic politics will also be obstacles to the development of an ethic of responsibility that is a hallmark of democratic politics. Yet, in the final analysis, there may be a certain "inevitability" about the processes of global modernization and the resulting complexity of socioeconomic life that will require living with, if not managing, the "disorderliness" of democratic politics.

The *mukhabarat* (national security) state had long deterred autonomous action of a civil society in the Arab world. Until several years ago, the costs of suppression had been lower than the costs of toleration, but this situation is now changing as the riots of October 1988 in Algeria clearly demonstrated. In this sense, the "real" lesson of the Iranian revolution has been the intrinsic power of civil society to survive and then to overcome the Shah's militarized, technocratic state power. Iran showed that modern control technologies cannot substitute for political legitimacy.

Expanding Society, Retreating State

Evidence from several quarters indicates that civil society in North Africa is developing ever greater autonomy vis-à-vis the state. In fact, North African states are currently in a "transitional" phase, retreating, albeit cautiously and hesitatingly, from their previously dominant role in the polity and economy. Differing strategies of state responses to the challenges posed by civil society and market economy, however, make it uncertain whether the region is at the dawn of a new era in which the state will confine itself to regulating market economies, or is merely in a period of stocktaking and regrouping.

Regardless of the answer, it is clear that both rulers and ruled have lost confidence in the ability of the state to solve social and economic problems. The legitimacy once automatically granted state intervention has been replaced by a kind of resignation born of habit and the lack of alternative agents of change. Many in and out of power recognize that both interventionism and the state enterprises have, by and large, malfunctioned financially and economically. To be sure, state-led growth brought about a certain amount of structural transformation, but rapid population growth overwhelmed any income-raising effects such a transformation yielded. The state has overextended its capacities to manage and guide increasingly diversified economies. It was able to give a big push to extensive industrial growth but unable to deal with the complexities of intensive growth, the efficient use of labor and capital, and the need to export in highly competitive world markets. Other than in the hydrocarbon and banking sectors, the state enterprises have failed to generate profits and have constituted a net drain on state resources. Keeping these enterprises afloat has required subsidized credit and inputs, foreign exchange at preferential rates, and constant flows of working capital and new investment.

As a consequence, state economic policy has shifted toward increased emphasis on the private sector, reform of public-sector decision-making, and greater reliance on market forces. Despite a Maghrebi version of *perestroyka,* however, state domination of the economy persists. Insofar as a country "opens up" to the rest of the world, the state will have a central role in mediating between the domestic society and international actors.

The diminished role of the state is evident above all in the political sphere. In many Middle Eastern and North African countries, the apparatus of governance had begun to crumble before it was fully consolidated. There is a crisis of political authority that is just as severe as the crisis of economic production. These two spheres are intimately related, each being both a cause and an effect of the other. Weak states engender anemic economies, whose poor performance in turn undermines the capacity of the state apparatus.

Across the Arab world, government services are breaking down or being cut back as authorities find

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they are unable to maintain or replace equipment, sustain a flow of consumable supplies, or even pay their personnel. The state no longer has the capacity to meet popular expectations for basic services and income-earning opportunities. Since the leaders of the post-colonial state claimed their right to rule on the basis of promises to improve material welfare, this loss of distributive capacity diminishes their popular legitimacy.

Judging from experiences elsewhere, it is inevitable that the loosening of regulations on economic production will give rise to pressures for political liberalization. To date, government willingness to promote economic liberalization has only been partially matched in the political sphere by the opening of the political system. Only in Algeria has there been a serious commitment to political pluralism, despite the military's effort to destroy this commitment. The lessening of authoritarian control has enlarged political space where manifold social movements and civic groups from all classes attempt to organize to express themselves and advance their interests, independent of state tutelage and control. As groups develop, they ultimately press claims of collective identity and autonomous action against state and social elites long accustomed to dominate through corporatist or patronage manipulations. The resurrection of civil society thus helps to spur transitions to democracy. The proliferation of popular "spaces" (through new organizations and demands) can force regimes to alter policy agendas and to lay the groundwork for more enduring decentralization and democratization.

Whatever role the state may redefine for itself or continue to maintain in reconfigurated form, it is clear that the *mukhabarat* state has not eliminated or re-created society. It is also clear that civil society has demonstrated vast powers of autonomy and growth. Islamic, civic, secular, feminist, student, labor, and farmer groups within civil society have had increasing opportunities to attract a following, develop an organizational structure, and formulate policy alternatives. Although this does not guarantee democracy, it does create favorable conditions for its development.

Transition to Democracy?

Although democracy in its ideal form does not exist in the Arab world (or anywhere), "democratization" is something else. Democratization denotes the following: a process through which the exercise of political power by regime and state becomes less arbitrary, exclusive, and authoritarian; bargaining, as opposed to command, takes on increasing importance in power relationships; alternative centers of power and influence begin to appear; public political debate, criticism of the regime, and expression of opposing views become increasingly evident; power-holders increasingly recognize the costs of governance by coercion and threat as opposed to persuasion and reward; political leaders increasingly realize that policy goals, such as economic growth and even political stability, may be enhanced by allowing, or acquiescing in, greater autonomy for societal elements in politics; power-holders come to believe that increased participation enhances the political legitimacy of their rule and that of the system as a whole; political legitimacy comes to be seen not as an abstract (and perhaps dispensable) value but as an important political commodity or resource; and, for their part, aspirants to power or incipient elites begin to perceive the realistic possibility of achieving power, or sharing it, through conventional, legal means rather than through irregular and violent ones.

In North Africa, there are some signs that "democratization" is under way. Many of the characteristics identified above are beginning to appear as the pressures of economic decline, expanding civil society, and international influences accumulate. But given the delicate status of state-society relations during a period of transition, democracy is unlikely to make a sudden appearance in the way it did in Eastern Europe or even Latin America.

The relationship between state and society must attain a certain balance if democracy is to be viable. On the one hand, the state must not become too powerful and autonomous, but, on the other hand, if it is too weak, it may be unable to deliver the social and economic goods that groups expect, or to maintain order in the face of conflicting group demands. The state bureaucracy must be subjected to democratic control by elected politicians, but at the same time, the relative autonomy and continuity of the bureaucracy constitute an important check on the potential for patronage and corruption by party politicians, and on their ability to assume absolute and arbitrary power.

If democracy is to work and endure, the political culture of democracy must be present. This culture entails a belief in the legitimacy of democracy; tolerance for opposing parties, beliefs, and preferences; a willingness to compromise with political opponents; some minimum level of trust among political competitors; moderation in political positions and partisan identifications; civility of political discourse; and a sense of political efficacy and a willingness to participate in politics. To be sure, no such democratic political culture yet obtains in the Maghreb, but throughout the region, ruling elites are being induced to seek support through democratizing devices. Democratic norms may well be

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President Chadli Benjedid votes in an Algiers polling station during Algeria's parliamentary elections on December 26, 1991.

—AP/Wide World.

gaining importance as a source of political legitimacy at a time when legitimacy is becoming a scarce and increasingly valuable resource.

Several "stages" must be completed before democracy can be achieved and sustained. The first stage is one of "crisis," when fundamental questions about a regime's political legitimacy are raised in sustained ways. Historically, authoritarianism has been delegitimized in two ways: through crises of failure and through crises of historical obsolescence. The second stage is one of "disintegration," when the ancien régime collapses. Several alternatives can follow in the wake of this phase, including social chaos and political disintegration, reconstitution of authoritarian rule, or the construction of democracy. The latter alternative constitutes the third phase of democratic development. The fourth and last stage is one of democratic "consolidation," which is probably the most difficult to achieve.

Algeria is now experiencing the crisis stage. After the country's first free, competitive elections were allowed to take place on December 26, 1991, the country appeared to be on the verge of overthrowing the regime (and entering the second stage). However, hard-line elements in the military and ruling National Liberation Front (*Front de Libération Nationale*—FLN), a Leninist-type party, effected a coup d'état. Tunisia is presently stuck in the crisis stage, although it is characterized more by stagnation than by dynamic movement. Morocco is in the pre-crisis phase. In all three countries, there is widespread support for democracy, but its future is everywhere in doubt.

Is the Maghreb at the end of an era in the process of regime and state formation? A generation has gone by since the North African nations won independence, and many hopes for democracy, economic growth, and national strength have been dashed. Disillusionment, cynicism, and anger have infused the political atmosphere. There is the sense that the existing regimes have exhausted themselves and that something new has to be tried. Democracy may be the region's "last chance" for human and economic development. But whatever the outcome of the process of change, re-

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gimes will have to deal with a high level of skepticism on the one hand, and heightened political awareness on the other.

Algeria

By its own standards as well as those of other Arab states, Algeria's democratic opening was radical, even historic. Still, an underlying subculture of political authoritarianism continues to limit the scope of national-level power sharing. This was dramatically demonstrated by the removal of President Chadli Benjedid in January 1992 by military forces allied with Minister of Defense, Major General Khaled Nezzar, and by the cancellation of the results of the national elections of December 1991 and January 1992, in which the Islamic Salvation Front (*Front Islamique du Salut*—FIS) gained a majority of the seats in parliament. This so-called "quiet coup" effectively short-circuited the democratic experiment awaited by many inside and outside the country.

These army-directed actions mark a serious retreat from the country's commitment to political pluralism, conciliation, and democracy. This movement toward authoritarian politics raises serious doubts about the old elite's commitment to the fundamental political and economic change that is widely believed to be essential if Algeria is to overcome its myriad social, economic, and political problems.

What went wrong and why? Were the preliminary efforts toward political liberalization tactical steps undertaken by a defensive-minded leadership fearful of losing its grip on political, economic, and social power? Is Algerian political culture so ensconced in an authoritarian past, including its socialist phase, that it cannot permit a truly democratic opening that allows all political groups, including Islamic ones, to participate freely in the political process? Clearly, the bipolar division of Algerian political life between Islam and secularism has been severely aggravated, to the point where it could give way to chronic civil violence, if not to civil war.

Restructuring and reform. Chadli initiated a series of cautious domestic reforms within a year of assuming power in February 1979. Three reform phases can be identified. From 1980 to 1987, the government directed most of its attention to overcoming structural problems in the economy. Specifically, reform measures centered upon four basic axes: shifting domestic investments away from heavy industry and toward agriculture, light industry, and consumer goods; breaking up large state enterprises into smaller and more manageable units; privatizing portions of state-owned farm lands and their commercial networks; and encouraging private investment in manufacturing and other industry.

These measures proved too timid, too schematic, and too underfunded to challenge significantly the enormous state bureaucracy full of entrenched cadres jealously protecting their power, privileges, and patronage. The world price of oil also had dramatically dropped from almost US$40 a barrel in 1979 to under $10 in 1986, depleting Algeria's national treasury, which receives more than 95 percent of its foreign currency earnings from hydrocarbon sales. Thus, a combination of poor domestic planning, political timidity, and the collapse of the price of oil aggravated the many problems in the economy.

In an attempt to move beyond this aborted *perestroyka,* Chadli's government confronted the challenges more directly. Starting in 1987, it initiated a second phase of reforms, undertaking additional measures to liberalize the polity and economy. An Algerian human rights league was legalized; the right of associations to organize, recruit, and propagate was officially recognized by the National Assembly in its law of July 21, 1987; laws were passed to accelerate the privatization and exploitation of state-owned lands; and new legislation was drafted that granted considerable managerial autonomy to the many new, smaller enterprises that were asked to operate according to the laws of supply and demand rather than according to the dictates of central planning.

A third reform wave beginning in early 1989 involved an explosion of institutional changes intended to create a "nation of laws." Major constitutional reforms were initiated along with fundamental revisions in the organization, power, and position of the FLN. The party, for example, was officially separated from the state, and its monopoly of political power was eliminated. The military was removed from a direct role in politics. These and other related measures were intended as the first steps toward the institutionalization of democracy.

Following his re-election to a third term as Algeria's president in December 1988, Chadli carried through with his version of *glasnost'*. This move was prompted by the deadly October 1988 riots, which were caused by widespread socio-economic and political discontent, and in which upwards of 500 people were killed by security forces. On February 23, 1989, a new Algerian constitution was ratified by national referendum. Significantly, in contrast to the previous constitution, it did not contain any references to "socialism" or socialist principles as necessary to Algerian political identity or development. This dramatic repudiation of the regime's

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Demonstrators hold a banner that reads "Chadli Assassin" during a march in October 1988 protesting the crackdown by Algerian security forces against riots prompted by high unemployment and rising prices.

—Reuters/Bettmann.

revolutionary and populist ideology also signaled a formal break with the ideological foundation of its foreign policy, which had been based on militant collective self-reliance among Third World states organized along socialist principles of redistributive justice, collectivization, nationalization, global cartelization, and Western "paybacks" for past practices of colonialist exploitation and pauperization. Five months later, on July 5, 1989, parliament established the criteria for legal party status, continuing the transition to a multiparty system.

In only nine months, from October 1988 to July 1989, the Algerian political system had been fundamentally transformed from a single-party authoritarian state to a multiparty, pluralistic nation of laws. Approximately 30 political parties, representing ideological positions ranging from the Marxist Left (the Socialist Vanguard Party) to the Islamist Right (FIS), were officially recognized and registered.

Within a year, this "revolutionary" system was given its first electoral test. The June 1990 municipal and provincial elections resulted in a major defeat for the ruling FLN and a massive victory for the Islamic Salvation Front. It was also a "victory" for democracy as both the electoral process and the voting results met no serious challenge. Responding to the defeat, Chadli announced that elections for the National Assembly would be held in the first quarter of 1991 (postponed to June 1991 and then again to December 1991/January 1992).[1] If these elections had been permitted to pro-

[1] *El Moudjahid* (Algiers), July 11, 1991.

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ceed according to established constitutional formulae, it would have been difficult to reverse the democratic process even (especially?) if Islamists had come to power.

In sum, democratic forces began gaining ground in Algeria in the early 1980's. But following the nationwide riots of October 1988, the momentum of these forces accelerated with incredible speed: political space for electoral competition in Algeria opened up, the degree of political competition intensified, and the scope of political discourse in the public domain widened. Authoritarian political structures were dismantled, rules for democratic politics were established, civic organizations were formed, and entry barriers to organized political competition were removed.

The Islamic victory of June 1990. During the months leading up to the June 1990 municipal and provincial elections, the FIS emerged as the only serious nationwide competitor to the FLN. It had some 1,265 municipal candidate lists to the FLN's 1,520, and 248 provincial lists compared to the FLN's 269, indicating that it had roots throughout the country.

An important Islamic constituency developed in Algeria throughout the 1980's, as it did in a number of Arab countries. However, it was not until after the riots of October 1988 that the Islamists expanded their ideological and organizational capacities. The large-scale killing of Algerians by the army provoked widespread revulsion and a profound crisis of faith in the development of the country. The fact that a large number of Islamists were killed by security forces reinforced the Islamists' claim to be the heirs of the martyrs of October. Disillusioned youths latched onto Islam—the one element that promised hope and security. In the mosques, religious leaders developed blistering critiques of capitalism and state socialism, both of which were seen to be responsible for corruption and economic mismanagement. The FIS took advantage of this network of mosques to organize meetings and to spread its political message during Friday prayers.

The unlikely partnership of Ali Belhadj and Abassi Madani has been one of the keys to the FIS's ideological and electoral successes. Ali Belhadj, a 35-year-old high school teacher and imam, has developed a militant Islamic program severely critical of the FLN. It calls for the return of women to the home, and demands the implementation of the Shari'ah (Islamic religious law). Abassi Madani, a 59-year-old professor who is the official spokesman for the FIS, has elaborated a relatively moderate Islamic program, which those who fear that Algeria might regress hundreds of years in social development find reassuring. He is particularly persuasive given his grandfatherly image and eloquent mastery of Arabic. To date, Madani's reformist approach has overshadowed Belhadj's major concerns regarding the polity, society, and economy. With its impeccable organization, ample financial resources, and highly motivated adherents, the FIS convinced many Algerians that it is a mass party capable of rectifying the ills of the country.

A woman wearing a chador walks past electoral posters in Algiers on the eve of the June 12, 1990, elections to the municipal and provincial councils.

—AP/Wide World.

The FLN's 30-year-old monopoly on power was broken when the FIS won every local election in the heavily populated north as well as every state election in Algiers, Oran, and Constantine. By taking over 55 percent of all municipalities, the FIS became one of the first opposition groups to be voted into a position of power in an Arab or African country.

The FIS's victory was a crushing rejection of the FLN establishment. The FIS win was a vote for a less corrupt, more egalitarian Algeria; it was a vote against those authorities closely associated with the violent suppression of the October 1988 riots. It showed that the Islamists were strong not only in the urban areas, where they

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Abassi Madani, the official spokesman of the Islamic Salvation Front, on his way to a news conference following his party's victory in the June 1990 municipal and provincial elections.

—AP/Wide World.

had recruited strongly among the ranks of disaffected youth, but also throughout the rural areas, where it had been expected that FLN officials would mobilize their traditional bloc votes to win at least thin majorities. Only in Berber-speaking Kabylie, with its own distinctive political configuration dominated by party organizations specific to the region, and in the south, where independents were strong and the FLN well entrenched, did the Islamic Salvation Front fail to win convincingly. Like observers everywhere, most Algerians were surprised by the voting results. Yet, even non-FIS voters took comfort from the fact that an opposition party could overturn the FLN.

This analysis suggests that the FIS victory was more a vote against the FLN than a reflection of popular support for the enforcement of the Shari'ah and other elements of radical Islam. Although this was true for some voters, the popular urban base of radical Islam should not be underestimated. And, away from the coast, in the deeply religious, Arabized communities of the interior, the "negative" elements of FIS policies that range from discouraging the use of the French language and other European influences to closing bars and dividing the sexes at social events are often welcomed.

Algeria's Islamists, in particular those supporting FIS, are educated and, in some ways, moderate in their political views. Many are of middle-class background, reside in the country's cities and larger towns, and are motivated by a desire to effect constructive changes in the existing political system. Students from the south and mountain regions, as well as the urban poor, have provided ideal FIS recruits. They increasingly decry the inequities in Algerian society, notably the maldistribution of resources, the privileges of the ruling elite, and the corruption of bureaucrats, and seek to restore traditional spiritual values. Their activities focus on the mosque, as well as on socio-economic groups that are organized for religious instruction.

At the organizational level, the recent local elections confirmed the view that the FIS had created a well-oiled political machine organized around a network of mosques. On polling day it demonstrated its strength in a number of ways: by posting militants as observers at every ballot box;[2] by praying in polling stations and by stationing members outside to persuade voters to choose the FIS list; and by exploiting proxy voting procedures. No other party, not even the FLN, could compete. The FIS acted as a ruling party is usually allowed to act in North African elections. It dominated the campaign and was subject to complaints of electoral malpractice from its rivals.

Islamic governance. The style and substance of Islamist governance has thus far produced mixed results. In the weeks immediately following the FIS victory, for example, there were many newspaper accounts of incidents involving crackdowns by municipal councils run by the FIS. It was also reported that Islamic radicals had moved to segregate beaches, ban swimwear and shorts from seaside towns (but not beaches or pools), and prohibit alcohol sales.[3]

During a day-long visit in August 1990 to Chenoua beach in the FIS-controlled Tipasa commune, however, I saw no evidence of restrictions. Bikini-clad Algerian women sunbathed freely and men ordered bottles of beer at nearby cafes without incident. Although examples of Islamic zealousness clearly exist, "extremist" municipal rulings have been very localized, and in some cases overruled by the local *wali* (governor). For his part, Abassi Madani, in interviews I held with him, expressed a certain frustration with councils that moved "too quickly" to take the law into their own

[2]The electoral code allows such posting by all parties.
[3]*El Moudjahid*, July 15, 1990.

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hands, thereby alienating voters. Abassi preferred to move more cautiously in the consolidation of the FIS position and advocated gradually winning hearts and minds, rather than seeking to impose FIS values by decree.

This "moderate" approach has been in evidence in many areas of public life. Immediately after the election, the FIS demonstrated its civic-mindedness and good intentions when it started cleaning the filthy streets of Algiers in defiance of a garbage strike. Independent reports of the FIS's performance in certain coastal towns also found new municipal presidents to be moderate and well-educated professionals who professed not only Islamic values, but also a firm conviction that FIS governance was the only way to overcome FLN mismanagement. If the army had not aborted the democratic process, an FIS-dominated government might have created a new, more widely acceptable political configuration that would have been able to continue many of the economic reforms instituted by the previous government while also seeking to inculcate Islamic values and uphold Algeria's deeply rooted traditions of social justice. Moreover, with the Islamists in control of explosive inner city areas, a repeat of the 1988 riots would have been unlikely.

This analysis assumes that Abassi's "moderate" wing could control the more "radical" elements in the party and that all groups would agree to play by the political rules during a period of high tension and uncertainty. Indeed, when the electoral process collapsed altogether in January 1992, it was neither Islamist "radicals" nor "moderates" but the military-security establishment that was principally responsible.

The Army Returns

The democratization efforts of the late 1980's and early 1990's were aimed at bringing the military under the formal control of the civilian government. Military strategy and policy for 1991–97 were outlined in a new legislative program drawn up in 1990. In theory, civilian legislators were to be involved in assembling plans for investment and infrastructure development, which had previously been the exclusive domain of the secretive and powerful military-security establishment.

Despite this new program, there was never much doubt that this establishment remained an essential factor in the political arena—even after the army had formally pulled out of politics in early 1990. During the volatile weeks between the April 3, 1991, presidential press conference announcing the date for legislative elections, and June 5, 1991, when a state of siege was declared that gave full authority to the military,[4] Chadli frequently hinted at the possible return of the army to the political stage if events "got out of hand" or civilian authority "broke down." Such "warnings" were intended to keep his political liberalization under control, in the hope that opposition politicians would prefer to contest elections and publish newspapers on his terms rather than face the prospect of a crackdown.

For its part, after its disastrous performance in the October 1988 riots, the army had found its ambiguous situation to its liking. Clearly, the riots were deeply disturbing to an institution accustomed to seeing itself as the defender of the revolution and the guardian of national integrity, not as a brutal security apparatus mindlessly killing and shooting innocent civilians. However, its security services were a force to be reckoned with. There is little doubt that the decision to impose martial law, declare a state of siege, send tanks and troops into Algiers and other Algerian cities, arrest both Madani and Belhadj on charges of "armed conspiracy against the security of the state" on July 1, 1991, and imprison nearly 3,000 FIS militants as part of an intensified crackdown on all "antistate activity" was made by the highest national security command.

The fall of the reformist and liberal-minded Mouloud Hamrouche government in the aftermath of the civil violence and military intervention in June 1991 and its replacement by a transitional cabinet headed by the neo-Boumediennist Sid Ahmed Ghozali further testifies to the renewed strength of the armed forces, which have effectively replaced civilian authority in Algeria today. The final act of this process took place on January 11, 1992, when Nezzar, Minister of the Interior, Major General Larbi Belkheir and Army Chief-of-Staff, Major General Abdelmalek Guenaizia combined to force Chadli's resignation and assume power with a combination of unelected civilian politicians and army officers. Their first act was to cancel the legislative elections of December 1991 and January 1992. This act usurped Algeria's fledgling democracy and plunged the country into deep anxiety, fear, and anger.

Democracy Derailed

"When I saw the tanks rolling through the city streets, I began crying," a 20-year-old Algerian man declared to a reporter. "Not because I was fearful of the army or

[4]The state of siege was prompted by the following course of events. The FIS organized demonstrations to protest an electoral law passed by the FLN-dominated National Assembly on April 1, 1991, that gerrymandered districts to favor the ruling party. Some of the demonstrations disintegrated, and violence erupted. The army used these events as an excuse to intervene.

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Algerian army tanks deployed in Algiers following the January 1992 military decree that blocked elections that were expected to bring the Islamic Salvation Front to power.

—AP/Wide World.

afraid of the Islamic Salvation Front, but because I suddenly saw disappear in a matter of moments the liberty that we had struggled so hard to achieve these last three years."[5] This poignant confession captures the attitude of many ordinary people toward the re-entry of the army into Algerian civilian life. Whatever else may have been happening in the weeks and months prior to the FIS electoral victory, Algerian politics was bursting with vital energy, political discourse and competition, exchanges of ideas and points of view, and, not surprisingly, strikes, demonstrations, and street rallies. In virtually all democracies, especially emerging ones with little history of legitimate contestation, the first experience with freedom and liberty tends to be volatile, if not violent. Clearly, most Algerians were willing to accept such consequences on behalf of a larger goal, namely, the right to create a political system and elect a political leadership of their own choosing. The unwillingness of the government, army, and FLN to allow the process of democratization to continue demonstrates the residual strength of authoritarianism in Algerian politics.

In other newly democratizing Third World regions, certain empirical indicators are associated with the emergence and persistence of democracy. One is an increase in political participation, including the willingness of ordinary men and women to sacrifice physical and mental comfort to participate in the civic experience. Another is increasing commitment to the electoral process. The intensity of electoral campaigns and of voter participation in many areas, often conducted under hazardous conditions, indicates a remarkable willingness on the part of ordinary citizens to utilize ballots to express preferences, settle conflicts, and confer authority on leaders. A third is the withdrawal of military leaders from state office and, as a result, the emergence of civilian presidents. In Algeria today, these

[5] *Le Monde Diplomatique* (Paris), July 1991, p. 1.

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three indicators of democracy are absent. The future of democratization is in doubt as long as the army rules the country.

The reforms of the 1980's and early 1990's unleashed social and political ferment of such depth that it was virtually impossible to achieve consensus on national goals. Mutual trust between the ruling elite and many Algerians evaporated, and elements within the country's military and security services feared that these cleavages could lead to widening instability and social revolution.

The chief fault line in Algerian society today runs between Islam and secularism. For the FIS, politics must conform to the Shari'ah. It is natural for the FIS to use mosques for political purposes since Islam does not regard as legitimate the separation of church and state. Their political views stress personal morality, maintaining the traditional status of women, anti-Westernization, and justice in conformity to Islamic law. For their part, the secularists aim to separate Islam from public life.

Political terminology is particularly expressive of this secular-religious bipolarity. The opponents of the FIS refer to themselves as *démocrates*, repeatedly using such terms as *intolérant* (intolerant), *intégriste* (fundamentalist), and *obscurantiste* (obscurantist) to describe the FIS. The FIS paints itself as the *hizb allah* (Party of God), labeling its opposition as *hizb al-shaytan* (Party of the Devil), *kuffar* (infidels), and *laique* (secular). These discourses have been radicalized at times, making more difficult the search for a commonly accepted political language.

Conclusion

Collapse of the economy, caused by state mismanagement, corruption, and declining oil prices, undermined the social contract that the regime had struck with its people at the time of independence—authoritarian rule in exchange for guarantees of efforts to improve material welfare. These structural conditions of the domestic and international economies imposed hardships on society, which soon became restive. Social turmoil, civil disobedience, public demonstrations, wildcat strikes, campus unrest, and Islamic militancy combined to challenge the "social contract." Violence and bloodshed soon followed—the October 1988 riots representing the most serious challenge ever to the regime. Chadli's reforms were intended to create a new "social contract"—the imposition of painful economic reforms in exchange for the institutionalization of political pluralism—that could ensure political quiescence. Events soon outpaced Chadli's evolutionary instincts and forced a much wider political opening than he originally intended. The result was the closest thing to "true" politics ever seen in the Maghreb. For a brief moment, it appeared that Algeria was on the verge of being the Arab world's first country in which a multiparty election in a formerly one-party state directly replaced a party in power.

Although Chadli's reformers decided almost at the onset of his rule that a state-controlled economy in a repressive one-party system was doomed, they were not prepared to accept the political "excesses" associated with pluralism, liberalization, and democracy. Moreover, although the dialogues and debates were unleashed to a degree never imagined, real economic restructuring was never implemented. The lid was blown off the political pot, scattering its contents far and wide. The ensuing chaos frightened many not accustomed to political dissent, not to mention to strikes, demonstrations, and rallies. Pre-existing socio-cultural fissures have now developed into threatening chasms.

For its part, the military will not allow the Algerian state and society to collapse. There is little doubt that it will use whatever force necessary to ensure the political and territorial integrity of Algeria, even if this requires sacrificing unarmed civilians, real economic change, and many of the democratic freedoms that took root since October 1988. In a country scorched by decades of authoritarianism and political oppression, where chaos has always been seen as close at hand, the "iron fist" has always had certain popularity. The country appears dangerously close to reliving its dreaded past.

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Afghanistan and Regional Security After the Cold War

Rasul B. Rais

Moscow's decision to disengage its forces from Afghanistan symbolized Soviet new thinking on domestic and foreign policy issues. It contributed significantly to a fundamental shift in superpower relations—from confrontation to constructive partnership. This transition and the further process of international reconciliation following the demise of communism in Eastern Europe and then in the Soviet Union created a political milieu that appeared congenial to negotiating an end to a variety of regional conflicts. However, many such conflicts—and notably the one in Afghanistan—are rooted essentially in stubborn domestic polarizations, and hence their resolution depends to a significant extent on the structure and course of internal power struggles. Afghanistan's future will to some degree also depend on, as well as affect, the interaction of states in the region—Pakistan, India, Iran, and also the Soviet successor-states in Central Asia. The collapse of the Najibullah regime in April 1992 answered some of the questions left in the wake of the failed Soviet intervention, but many still await their resolution, and the region remains in flux.

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Soviet Withdrawal

The Geneva Accords, which facilitated the withdrawal of Soviet military forces from Afghanistan, left internal political issues of the Afghan conflict largely unresolved.[1] The arrangements under these accords in no sense constituted a peace settlement. Specifically, they failed to address the question of self-determination, an issue critical for any restoration of peace in the country. Moreover, for a time the formal pullout of troops did not exclude other forms of Soviet support of the Kabul regime. Moscow left a large arsenal in Afghanistan and continued to furnish weapons to Kabul, thus enabling the puppet regime there to use indiscriminate violence against its opposition.[2] Moreover, in significant areas of military advice and intelligence support, Moscow's direct involvement in Afghanistan's internal affairs did not end with the formal withdrawal of Soviet troops. This continued involvement was not a violation of the Geneva Accords, nor did it appear costly in political and diplomatic terms. The withdrawal of Soviet forces was the key step in assuaging widespread domestic resentment within the USSR over the loss of Soviet lives in a foreign war of uncertain objectives and of great material cost.[3] It also signaled to the world that

[1]The Accords were signed in April 1988 between Afghanistan and Pakistan, with the United States and the Soviet Union as guarantors. For the text, see *Central Asia* (Peshawar), Winter 1988, pp. 99–114; and *The New York Times*, Apr. 15, 1988.

[2]According to a rough estimate, Moscow had been shipping about US$300 million worth of weapons to the Kabul regime each month. See *The Washington Post*, Mar. 12, 1990.

[3]Former Soviet Premier Nikolay Ryzhkov put the economic cost of the war at 5 billion rubles ($758 million) a year. *Far Eastern Economic Review* (Hong Kong), July 13, 1989, p. 17.

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Moscow was serious in trying to clean up the mess left by Leonid Brezhnev. The USSR went so far as to confess that the invasion of Afghanistan had been a violation of Soviet law, that it had constituted a crime.[4]

However, with fundamental changes sweeping the Soviet Union itself, even this ambiguous involvement in Afghanistan was bound to change. Already by mid-1991, there were clear signs that Soviet economic assistance to Kabul was drying up.[5] In the wake of the failed August 1991 coup in Moscow, President Najibullah lost a good number of his supporters in the Soviet KGB and the party old guard. A wide ideological gulf opened between the new generation of Russian democrats led by Boris Yel'tsin and the former Soviet Union's Leninist clients still in power in the Third World. Facing serious economic crisis at home, the Russian Federation and, even more so, the other Soviet successor-states, were hardly in a position to make scarce resources available even to support more traditional, non-ideological, foreign policy goals. It was in this setting that Washington and Moscow agreed to stop supplying weapons to the warring Afghan parties, effective January 1992.[6] That decision in turn sealed the fate of Najibullah.

Toward a Post-Najibullah Era

Najibullah's ability to survive without the Soviet military presence for as long as he did was remarkable. It was widely anticipated that once the Soviet forces left, his regime would fall to either the Afghan guerrillas or an internal coup. Instead, he succeeded in crushing several coup attempts by his army and defended for a significant period his urban strongholds against the *mujahideen* resistance. Departure of the Soviet forces actually contributed to efforts by the Kabul regime to gain domestic acceptance and some international respect. Freed of the stigma of Soviet involvement, Najibullah found his initiatives to promote national reconciliation on his terms beginning to earn some credibility.

Disarray among the political forces opposed to the Kabul regime helped perpetuate its rule. Najibullah rather skillfully exploited their divisions to his advantage at home and abroad. He also benefited from the war weariness of the populace. In its quest for acceptance, the regime became more forthcoming and generous in granting concessions to local leaders, and it substituted nationalist posturing for revolutionary rhetoric. The ruling party adopted a new name, *Watan* ("Homeland"), and expelled many of its Leninist hardliners,[7] while shifting its policies away from socialism. In July 1991, Najibullah issued a decree striking the terms "Saur [April] Revolution, People's Democratic Party of Afghanistan, and primary party organizations" from all legislative documents in force in the country.[8] Despite these efforts to eliminate revolutionary terminology, the regime retained its authoritarian structure and coercive apparatus.

Nevertheless, the Kabul regime could not overcome two, ultimately fatal, factors. The first of these was a lack of unity in the ranks of the ruling party itself. Interpersonal and ethnic rifts have run deep, producing multiple webs of conspiracies within the (PDPA/*Watan*) party. The Afghan army, a critical element in the power structure, proved to be rent with ethnic division and indiscipline. In March 1992, Generals Abdul Rashid Dostam and Abdul Momin, and Ismaili militia leader Syed Mansoor linked up with forces of *mujahideen* commander Ahmed Shah Massoud, a Tajik, to resist control of the Pashtun-dominated government in Kabul and effectively trigger its collapse.[9]

The second critical factor was the relentless opposition of the resistance parties. Although they long remained divided—and hence lacked the unity and strength to achieve a military victory—they effectively denied the regime control beyond a few urban centers and strategic points. A long stalemate hurt both sides, but the regime suffered more, in terms of diminished legitimacy and prestige.

Although the withdrawal of Soviet military forces and the ultimate cutoff of Soviet military aid undercut the morale of the Najibullah regime and encouraged the more militant Afghan resistance groups to think more seriously about the prospects of armed overthrow of the regime, prospects for a political settlement arranging for Najibullah's departure were also brightening. Of particular importance was the reception given the Afghan peace plan outlined by United Nations Secretary General Javier Perez Cuellar in May 1991. The plan included the following central points: (1) preservation of the sovereignty, territorial integrity, political independence, and nonaligned and Islamic character of Afghanistan; (2) recognition of the right of the Afghan

[4]Eduard Shevardnadze's speech before the Soviet Parliament on Oct. 23, 1989, in *The Economist* (London), Oct. 28, 1989, pp. 15–16.
[5]*The New York Times*, Aug. 3, 1991.
[6]Barbara Crossette, "U.S.-Moscow Pact on Kabul Clears Way for Transitional Rule," ibid., Jan. 2, 1992.
[7]*Muslim* (Islamabad), Feb. 17, 1991.
[8]Kabul Radio, Afghanistan Network in Pashtu, Aug. 17, 1991, in Foreign Broadcast Information Service, *Daily Report: Near East & South Asia* (Washington, DC—hereafter, *FBIS-NES*), Aug. 20, 1991, p. 40.
[9]*The Washington Post*, Mar. 15, 1992.

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President Najibullah opens Afghanistan's first Islamic university in Kabul in April 1988.

—Novosti from Sovfoto.

people to determine their own future free from outside intervention; (3) the need for a credible and impartial mechanism for transition to a broad-based government and an end to hostilities, to be worked out and agreed upon through intra-Afghan dialogue; (4) termination of the supply of arms to all Afghan sides from all sources; and (5) reconstruction of the war-ravaged country and rehabilitation of Afghan refugees.[10] In July, after much hesitation and expression of skepticism, a dominant majority of the resistance parties decided to support the plan.[11]

The Cypriot diplomat Benon Sevan, special envoy of the UN Secretary General, engaged in a protracted dialogue with all the parties involved in an attempt to outline a concrete program of action. In its initial form, this plan envisaged convening a meeting of 150–200 Afghans in Vienna in late spring or early summer 1992. Attendees were to represent a wide spectrum of political opinion drawn from resistance parties in exile, resistance guerrilla commanders, the ruling *Watan* party, and neutral personalities. This meeting was, however, designed to exclude the most visible leaders of the ruling party and its opposition. Instead, middle-level leaders were to meet to elect a body of 30 members to consult with other Afghans and nominate delegates to and convene a first session of a *jirga* (assembly of elders). The *jirga,* in turn, was to elect an interim administration that would replace the present government in Kabul, write a new constitution, and hold elections.[12]

Kabul generally expressed its support for the peace plan, although hard-line elements within the regime still hoped to outmaneuver members of the regime interested in developing alliances or coexisting with various *mujahideen* groups.[13] For their part, the *mujahideen* parties were also of a mixed mind on the plan. Since mid-1991, the majority of the resistance parties had been participating in a joint forum with Iran and Pakistan seeking to develop a common negotiating strategy. Only a very few parties stayed away from these meetings.[14] At the second such gathering, in August 1991, it was decided to send a joint *mujahideen* dele-

[10]*Muslim*, May 22, 1991.

[11]Radio Voice of America, Urdu Service, July 29, 1991, 9:00 p.m.

[12]*Muslim*, Feb. 23, 1992.

[13]Edward A. Gargan, "Whisper of Hope Is Echoing in War-Scarred Afghan Hills," *The New York Times*, Mar. 13, 1992.

[14]Gulbuddin Hekmatyar and Abdul Rab Rasul Siaf (head of *Ittehad-e-Islami*—Islamic Unity) did not attend the second trilateral conference, held in Tehran on August 29–30, 1991. See *Muslim*, Aug. 29, 1991.

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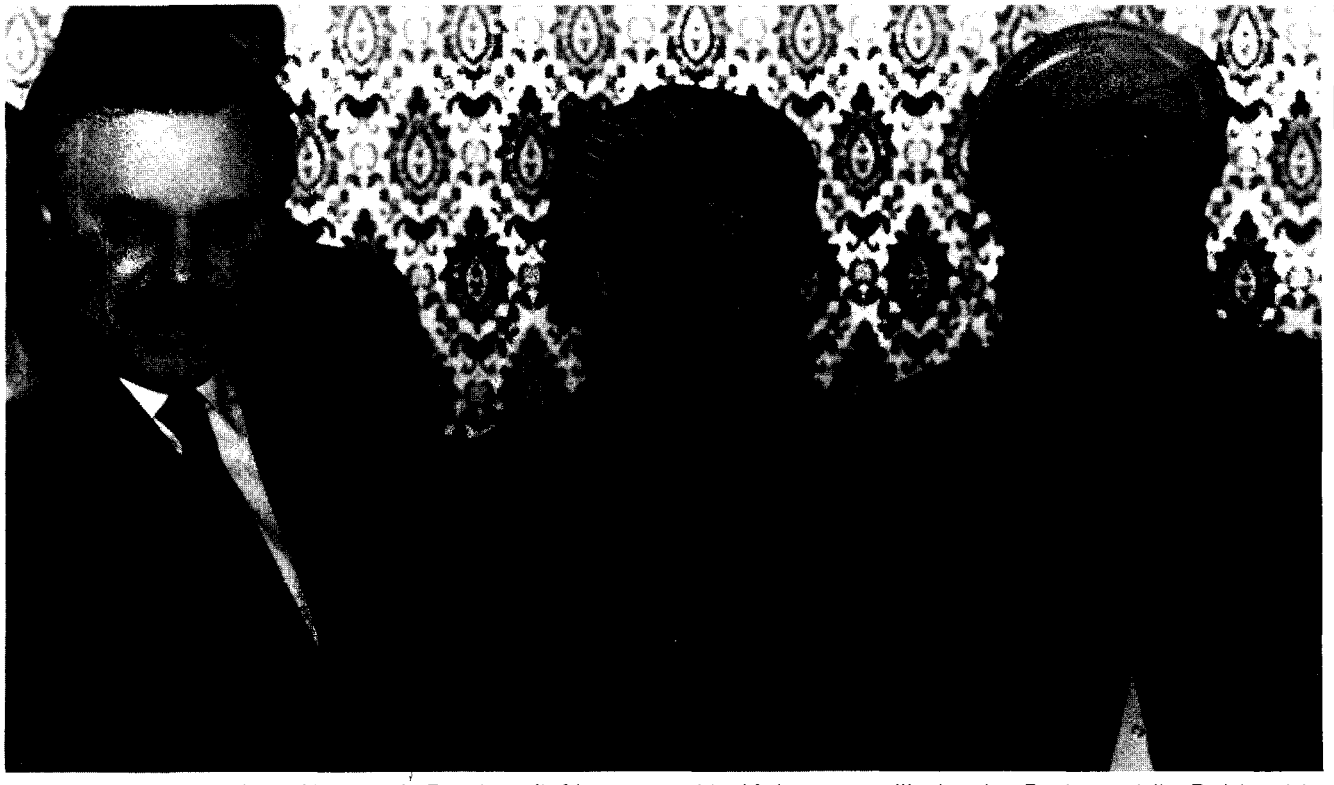

Russian Vice President Aleksandr Rutskoy (left) meets with Afghan guerrilla leader Burhanuddin Rabbani in Moscow on November 11, 1991.

—Reuters/Bettmann.

gation to Moscow to discuss an Afghan settlement.[15]

In January 1992, Pakistan decided to lend its full support to the UN-sponsored plan and to cease backing the armed resistance's efforts to overthrow Najibullah by force. However, it was a race against time between the UN-sponsored negotiations and divisive tendencies within the Kabul government and among ethnic and resistance forces. Najibullah's move to replace key officials in Kabul with members of the long-dominant Pushtun ethnic group fueled the fires of division. In the north, General Abdul Dostam, an ethnic Uzbek, "defected" from the government and linked up with Tajik forces. *Mujahideen* forces captured Khost, a critical city between Kabul and the Pakistani border. As it became more evident that Najibullah was prepared to resign, the UN negotiators rushed to establish an interim council to govern pending the large-scale meeting of Afghan political groups abroad. Before this could happen, Najibullah resigned and attempted to flee the country on April 15. Forces of General Dostam, of the *Jamiat-i-Islami* movement headed by Tajik *mujadhideen* commander Ahmad Shah Massoud, and of the fundamentalist *Hezb-e-Islami* movement under Gulbuddin Hekmatyar headed toward Kabul vying to be the first to enter the capital.

With General Dostam (in concert with Massoud) establishing effective control in Kabul and with Hekmatyar threatening an armed assault on the capital, the UN negotiators—shuttling among Kabul, regional seats of power, and Peshawar, Pakistan—finally achieved an arrangement whereby an interim government for Kabul was created on April 25 under the temporary presidency of Sebghatollah Mojaddedi, who for three years had headed an Afghan government-in-exile in Peshawar and was leader of the Afghan National Liberation Front (one of the smallest and weakest *mujahideen* groups). The government, which also included field commanders such as Massoud, "took control" in Kabul on May 1. Mojaddedi was to be replaced in two months by Burhanuddin Rabbani, leader of the *Jamiat-i-Islami,* who was to govern for four months until elections could be held. However, given the barely concealed struggle for power, the future of elections is in doubt.[16]

So far, success in toppling the Najibullah regime has not translated into national reconciliation. Serious ethnic and sectarian competition threatens to sunder the

[15]*Dawn* (Karachi), Aug. 30, 1991.
[16]*The New York Times,* May 1, 1992.

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Mujahideen *fighters arrive in Kabul on April 28, 1992, carrying a portrait of Ahmed Shah Masood.*

—AP/Wide World.

country. Only a comprehensive political settlement enjoying the consent of the majority of the Afghan groupings and support of the states in the region may pave the way for normalizing social and political conditions in Afghanistan. Let us now turn to exploration how neighboring states relate to developments in Afghanistan and in regional security.

The Pakistan Perspective

Disappearance of the Soviet factor from the Afghan conflict considerably eased Pakistan's two-front security dilemma. Islamabad had taken seriously the Soviet threat to retaliate directly or through subversion of politically less integrated areas of Pakistan for Islamabad's support of the Afghan resistance.

On its own, Pakistan had limited capacity to defend itself against a determined Soviet invasion. But Islamabad succeeded in counterbalancing the Soviet threat from Afghanistan by a variety of means. First, since the Soviet invasion of Afghanistan raised the specter of geopolitical destabilization in the adjacent region of Southwest Asia, Pakistan emerged as central to the US-sponsored strategic consensus in the region.[17] This convergence of interests with Washington enabled Islamabad to obtain economic and military assistance to modernize Pakistan's armed forces, which were in a dismal state.[18] Pakistan's security was further enhanced by the emergence of a broad coalition of international forces supporting the effort to expel Soviet forces from Afghanistan.

Second, Pakistan collaborated, at considerable risk, with the Afghan resistance to develop a guerrilla war strategy that thwarted Moscow's attempts to consolidate its hold on Afghanistan and to pacify the country. Benefiting from sanctuaries in Pakistan and from the aid funneled through Pakistan, the Afghan resistance pinned down Soviet power, forcing Moscow to conduct a reactive counterinsurgency. The ensuing stalemate not only tarnished the Soviet image of invincibility but ultimately raised to an unacceptable level the cost of Moscow's engagement. Soviet preoccupation with a war of attrition, resentment at home, and the opprobrium leveled at the USSR internationally prevented Moscow from carrying out its military threat against Pakistan.

Finally, Pakistan was careful not to escalate the level of resistance to a point that would provoke Soviet retaliation. Pakistan did this mainly by controlling the technological level of weapons supplied to the resistance. And yet, judging well Soviet vulnerabilities, Pakistan winked at the provision of high-performance weapons to the *mujahideen* at critical phases of the conflict. On the diplomatic front, Pakistan attempted to placate the Soviet Union by responding favorably to the proposal of a political settlement arranged through the auspices of the United Nations, but Islamabad remained firm in its position that Soviet withdrawal from Afghanistan was a prerequisite to such a settlement and that armed conflict would continue until such withdrawal occurred.

Although the termination in February 1989 of direct Soviet military involvement in Afghanistan removed the major threat to Pakistan, the unfinished war continued to occupy a central place on Islamabad's diplomatic agenda. New streams of Afghan refugees trickled into Pakistan as the internal Afghan conflict intensified after the Soviet withdrawal. This brought the total of refugees in Pakistan to almost 3.5 million. As long as the Najibullah regime remained in power, Pakistan would continue to bear the burden of refugees.

Beyond the economic cost of feeding the refugees and the ecological disaster caused by their encamp-

[17]Hafiz Malik, "Soviet Intervention in Afghanistan and Its Impact on Pakistan's Foreign Policy," in Malik, Ed., *Soviet-American Relations with Pakistan, Iran and Afghanistan,* New York, St. Martin's Press, 1987, p. 131.

[18]Stephen P. Cohen, "South Asia After Afghanistan," *Problems of Communism* (Washington, DC), January-February 1985, pp. 18–31.

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UN special negotiator on Afghanistan Benon Sevan and UN Secretary General Boutros Boutros-Ghali during their talks with Pakistani officials in Islamabad in April 1992.

—Reuters/Bettmann.

ment in certain areas, their continued presence in Pakistan is a potential threat to social tranquility and political stability in the country. Most of the refugees are politically connected with the various competing Afghan resistance parties and have ready access to arms. Pakistan itself is a polarized society, and given the current state of confrontations both political and sectarian, wider social conflagration cannot be ruled out. Over the past decade, national boundaries among the Afghan and Pakistani political groups have blurred. Extension of political and material support to groups sharing a particular political vision, or even acting in self-interest but pursuing parallel goals across the border, has become an accepted norm. Thus, it is virtually impossible to isolate Pakistan domestic political conflict from the Afghan factor.

The decision of the government of Prime Minister Nawaz Sharif to give its full support to the UN peace plan, and then to help form the interim commission under Sibghatollah Mujaddedi, did not accord with the self-defined political interests of the more militant *mujahideen* groups that Islamabad had for a decade favored over more moderate forces. Some of Pakistan's own groups with considerable potential for agitational politics, e.g., the *Jamat-e-Islami* (Islamic Party), have reacted sharply to this shift in the government's Afghan policy. In protest, the *Jamat-e-Islami* withdrew from Pakistan's ruling Islamic Democratic Alliance (IJI) in May 1992. Growing resentment might put various combinations of Afghan and Pakistani political forces on a collision course with the IJI. This is a worst-case scenario, but it reminds us that if the Afghan crisis is not settled by creation of a *mujahideen* government enjoying the broad support of all important Afghan resistance factions, there could be serious consequences for Pakistan's politics and security.

In confronting the present crisis in Afghanistan, Pakistan has to reckon with a decline in the wide-ranging international support it enjoyed before the collapse of communism. In the eyes of the West, the threat of geopolitical destabilization is ended, and the Afghan conflict is widely perceived to have degenerated into a civil war. The rapid transformation of Moscow-Washington relations from rivalry to cooperation has already started affecting Islamabad's regional priorities, not to mention the outcome of the civil war in Afghanistan.

In any case, the factors that brought Pakistan to the forefront in US strategic planning in the area seem to be disappearing—Soviet intervention in Afghanistan and the Islamic revolution in Iran. One can discern a qualitative change in the regional environment on both counts. The concerted response of Washington, Islamabad, and the Afghan resistance did finally convince the Soviet Union that the war in Afghanistan was not winnable and that it could not achieve any success in restructuring relations with the West without extricating itself from such regional conflicts. Likewise, fears that Iran might destabilize regional geopolitics have significantly receded as Tehran continues to reel from the devastation experienced in its war with Iraq. Moreover, the balance of power in the region has drastically shifted in favor of the US and its Western allies after the destruction of the Iraqi armed forces. The US military presence in the region and the very successful use of force against Iraq should discourage, for some time, any local actor from threatening Washington's interests.

As the fundamental shift in Soviet policy toward Afghanistan removed the most compelling reason for US economic and military assistance to Pakistan, the issue of nuclear proliferation returned to the dominant place it once occupied in the US-Pakistan bilateral agenda. Even the military assistance provided to Pakistan had been designed in part to afford Washington a degree of influence over Pakistan's nuclear program, and modernization of Pakistan's armed forces was meant to re-

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duce the security incentives for Islamabad to exercise the nuclear option. For their part, based on a consensus among a wide array of political forces within the country, various Pakistani regimes, both military as well as civilian, have linked their acceptance of total international safeguards to what India does with its nuclear program. India's refusal to sign the non-proliferation treaty or to open some of its facilities to international safeguards, and its continued production of weapon-grade nuclear materials and testing of ballistic missiles have convinced Pakistanis of the need to acquire nuclear technology with the potential to produce weapon-grade materials. The United States has grown increasingly suspicious about Pakistan's nuclear program, charging Islamabad with continuing to produce fissionable material in violation of pledges made to qualify for US economic and military assistance. Reflecting changed global and regional priorities, Washington brought its security relationship with Pakistan to an abrupt end in October 1990, when President George Bush withheld certification to Congress that Pakistan did not possess nuclear weapons, whereupon the disbursement of $573 million in assistance earmarked for Pakistan in fiscal year 1990–91 was suspended.[19]

With the Afghan war apparently stalemated and with international support dwindling, Pakistan found itself in an increasingly difficult situation. It faced two hostile neighbors—India and Afghanistan—that had converging interests in neutralizing the Pakistan factor in the Afghan conflict. Acting together, they could exacerbate ethnic conflict within Pakistan. Moreover, India had enormous military power with which it could increase pressures on the Pakistani borders.

To these negative incentives impelling Pakistan toward more active promotion of a political settlement in Afghanistan, there has been added a positive incentive—the prospect of productive political and economic relations with the newly independent republics of Central Asia. Islamabad sees enormous opportunities for entering the markets of these states, which are equally eager to establish trade and investment links.[20] But without the bridge of Afghanistan, Pakistan's ability to further its interests in this region will be diminished. Moreover, the present political leadership of the Central Asian states is opposed to the militant Islamist Afghan groups that long were favored by Pakistan. Many of these leaders are former members of the Communist party and are committed to a secular approach to modernizing their Muslim societies. Having observed turmoil next door in Afghanistan, they are genuinely concerned about the spillover effects that a triumph of Islamist forces there might have. They fear that were fundamentalists of the Pushtun ethnic group to capture power in Kabul, the Uzbek, Tajik, and Turkmen ethnic minorities of Afghanistan might feel insecure and start migrating to Central Asia. Pakistan has been told in unequivocal terms that its support of the establishment of an extreme right-wing government in Afghanistan would impede friendly relations with Central Asia.[21]

For all these reasons, Pakistan moved to promote more actively the formation of a broad-based transitional government dominated by the *mujahideen* as a means of achieving national reconciliation in Afghanistan. Pakistan's policy shift reflected a growing consensus on the Afghan issue among all elements of the Pakistani power structure (president, prime minister, and the military), a consensus even shared with the political opposition led by the former Prime Minister Benazir Bhutto.[22] In this respect, Prime Minister Nawaz Sharif and his associates appear to be more pragmatic than their predecessors, and committed more to tackling pressing economic and social issues at home than to running after the mirage of military victory on the part of its Afghan *mujahideen* clients. The military establishment of Pakistan itself has drifted away from its previous position after reevaluating the capacity of the Afghan resistance groups to force a military solution.[23] Misjudging the strength of the *mujahideen,* the military is understood to have given its blessings to the diplomatic initiatives of the Pakistan Foreign Office.

The collapse of the Marxist regime in Kabul a mere 105 days after the Russian aid cutoff dramatically transformed Pakistan's security environment. Installation of an interim *mujahideen* government represented at least partial achievement of the decades-long quest by Islamabad for a friendly Afghanistan. The possibility of Russian or Indian exercise of any influence in this strategic backyard of Pakistan was essentially eliminated.

This does not mean that Pakistan's relations with Afghanistan will necessarily be smooth, without irritants. Pakistan now faces a dilemma of how to react to the ongoing power struggle among Aghanistan's new lead-

[19]*Muslim,* Oct. 5, 1990.

[20]"Pakistan Looks North," *The Economist,* Feb. 22, 1992, p. 29. Pakistan has signed an agreement to import hydroelectric power from Tajikistan by 1996, through Afghan territory.

[21]These views were expressed to Sardar Assef Ali, Pakistan's minister of state for economic affairs, when he met with the leaders of the Central Asian states in early 1991. See *Muslim,* Jan. 17, 1992.

[22]See statement of Benazir Bhutto, *News* (Rawalpindi), Apr. 12, 1991.

[23]See the comments of Pakistani analysts, F. U. Babar, "Afghan Problem Nearing Solution?" *Muslim,* June 14, 1991; Maleeha Lodhi, "A Rare Window for Peace in Afghanistan, *News,* April 2, 1991; and Nasim Zehra, "Aghanistan: Unchanging Realities and New Realisations?" ibid., May 19, 1991.

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ers. Active involvement to promote reconciliation may be branded as undue interference, while indifference to the infighting may cause further fragmentation. The moderate groups now in power, as well as such coalition partners as the Uzbek militia and commander Massoud, have long resented Pakistan's support of the *Hezb-e-Islami*, and even now see in Hekmatyar's opposition to the interim government the hand of Pakistan's Inter-Services Intelligence. At the same time, the Islamists accuse Pakistan of sacrificing their interests by supporting the coalition headed by Mujaddedi.

The ethnic issue also complicates Pakistan's policy on Afghanistan. The current *mujahideen* government is dominated by non-Pushtun officers and resistance commanders. This is partly a reflection of social and political changes wrought by the long civil war: for the first time, ethnic and religious minorities have acquired a real sense of empowerment. In the course of the war, the Shi'as of Hazarajat in central Afghanistan and the Tajiks in the northeast under Massoud (currently the defense minister of the interim government) established effective administrative structures in their respective liberated zones. Having acquired autonomy and exercised political power, they may never again accept domination by the Pushtun majority. For their part, the Pushtuns tend to view the way in which the Marxist regime was overthrown to be a conspiratorial power play by non-Pushtun army officers in collaboration with Massoud. Given this political fragmentation along ethnic lines, it may be that only a decentralized political order granting autonomy to the ethnic groups can pave the way to genuine national reconciliation.

Central Asian States

As suggested above in the context of Pakistani calculations, the independence of the Central Asian republics of the former Soviet Union has added a new factor to the vortex of regional power rivalries in which Afghanistan finds itself today. Tajikistan, Uzbekistan, and Turkmenistan share not only borders but also ethnic, cultural, and religious affinities with Afghanistan and its peoples.

Elites in Central Asia perceive Islamist movements in the tri-junction of South, Southwest, and Central Asia as highly destabilizing. These elites are groping for political identity, for a broader political base. Their adherence to the authoritarian power structures of the old political order continues. But they face growing opposition on issues of democratic liberties and greater religious freedom. The growing power of Islamist forces and their alliance with the secular democratic parties were witnessed in the brief success in removing the ruling establishment of Tajikistan in May 1992.[24] The Central Asian elites feel their legitimacy threatened by cross-border, transnational Islamic influences emanating from Afghanistan, although the current *mujahideen* government in Kabul has sought to assure them it does not intend to align itself with opposition forces in the republics.[25]

The role of the Central Asian states may acquire greater significance if the ethnic split between Afghanistan's Uzbek and Tajik groups, on the one hand, and the Pushtuns, on the other hand, becomes unmanageable. Ethnic bonds, with family and blood ties, may push the Uzbek and Tajik minorities of Afghanistan toward their co-nationals across the border in the event that the current power struggle in Kabul results in resurgence of the Pushtun element. So far, the Central Asian states have played no role at all. This is probably due more to the sorry state of their economies and the current crisis of state formation than to any disinterest in Afghanistan.

Given the fact that road communication between Uzbekistan and northern Afghanization is quite well developed and that there are thus considerable opportunities for trade, the Central Asian states can be expected to pay increasing attention to political events in Afghanistan. With the barriers previously erected by Moscow now fallen, one might even see the transformation of the entire region of Central Asia, Afghanistan, Iran, and Pakistan into a zone of economic and political cooperation. Azerbaijan, Turkmenistan, and Tajikistan have already joined the Economic Cooperation Organization formed by Iran, Pakistan, and Turkey. Consensus on economic and political forms and on state identity has yet to emerge in all of these states, but the need for economic reconstruction in Afghanistan and Central Asia in line with regional and global trends toward marketization and liberalization may bring these countries closer to one another.

India's Stance

India's Afghan policy during the period of Soviet interventionary war was contradictory. Although New Delhi vociferously decries involvement of external pow-

[24]After weeks of protests organized by the opposition Democratic and Islamic Renewal parties, Tajik President Rakhman Nabiev went into hiding on May 6, when the rebels took over the parliament and radio building in Dushanbe. *The New York Times*, May 8, 1992. Later, they agreed to a coalition government retaining Nabiev as president until elections in December. The opposition has taken control of 16 ministries, including defense, interior, foreign affairs, agriculture, trade, and economy. Ibid., May 12, 1992.

[25]See Pakistan Acting Deputy Foreign Minister Hamid Karzai's statement, AFP (Hong Kong), May 20, 1992, in *FBIS-NES*, May 21, 1992, p. 35.

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Uzbek elders from Afghanistan, who do not accept Najibullah's rule, hold a council meeting in northern Afghanistan in spring 1992.

—Rafi Ameer via *The New York Times*.

ers in the region's security affairs, it maintained a guarded silence over the Soviet invasion of Afghanistan. Officially, it never uttered a word against the atrocities and devastation caused by the Soviet forces. Such silence sharply contrasted with the indignation unequivocally expressed by most Third World countries over the Soviet actions.

India's pro-Soviet position in the Afghan issue was, however, consistent with New Delhi's general line on global alignments. First, it did not see any point in offending Moscow over an issue that did not directly endanger Indian security. Second, New Delhi appeared more worried about the implications for the regional balance of power should the *mujahideen* forces topple the PDPA regime and install a government friendly rather than hostile toward Pakistan; what India desired was a secular and neutral Afghanistan, one friendly to it.[26] Finally, India thought that Pakistan, drawn into the Soviet-supported conflict, would be amenable to New Delhi's leadership role in the region, or at least would emerge still weaker in the regional power equation.

Given these calculations, India adopted a policy that was supportive of the Soviet version of events in Afghanistan.[27] It was no less vocal than the Soviet Union in articulating the view that Pakistan, through its support of the resistance, had attempted to destabilize the situation inside Afghanistan. On this ground, it tended to interpret the Soviet intervention as reactive rather than strategically offensive. Such a characterization seemed designed to undermine any justification for US military assistance to Pakistan.[28]

But New Delhi misjudged the magnitude of Moscow's offense and the extent to which Pakistan was willing to take risks to bloody Moscow's nose. By down-

[26]Elaine Sciolino, "Gandhi Faults Islamic Rule for Kabul," *The New York Times*, June 11, 1988.

[27]See an official statement of the Indian representative made at the emergency session of the United Nations General Assembly on January 11, 1980. UN, General Assembly, Sixth Emergency Special Session, *Provisional Verbatim Record of the Third Meeting*, Document A/ES-6/PV.3, General Assembly, United Nations, January 11, 1980.

[28]*Foreign Affairs Record* (New Delhi), January 1980, p. 19.

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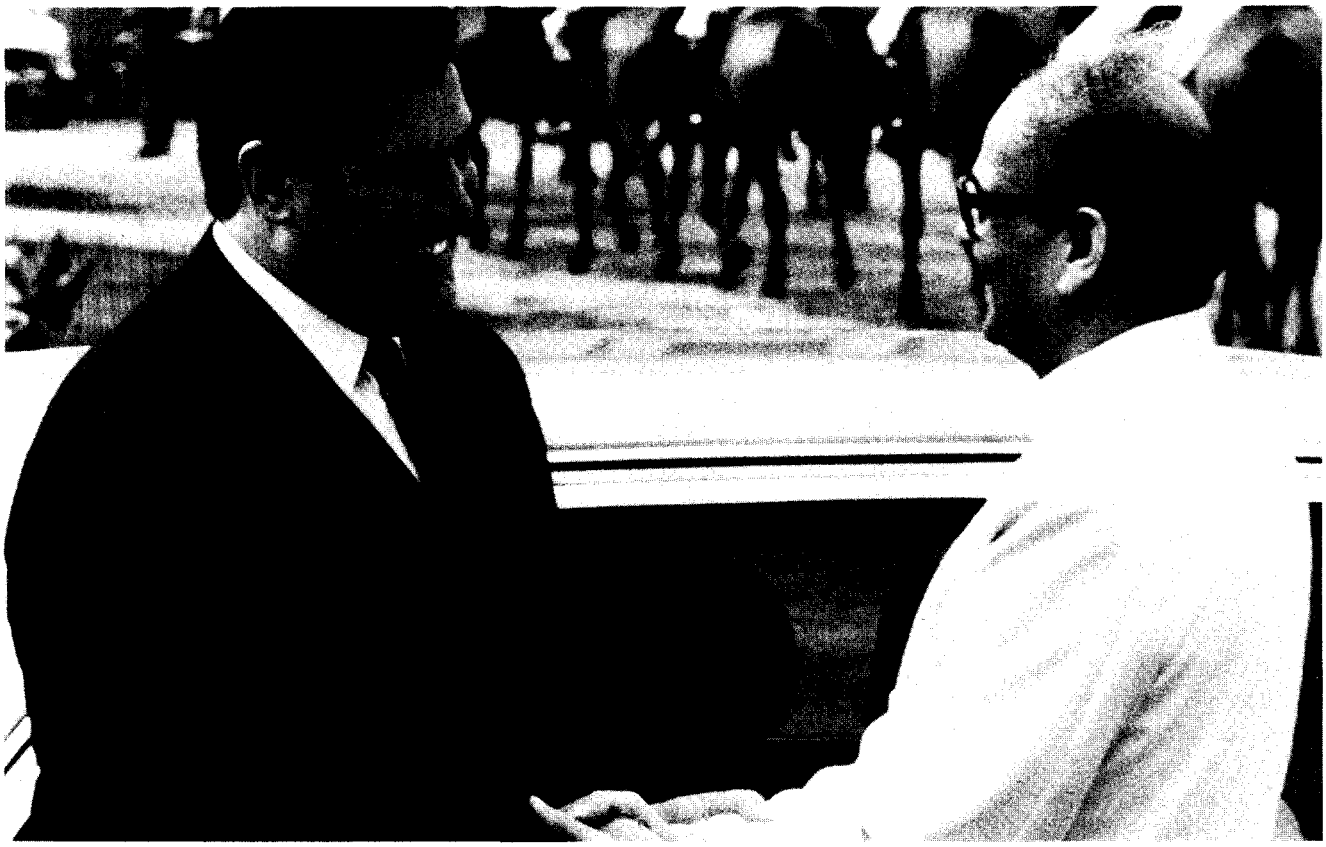

Indian Prime Minister Vishwanath Pratap Singh (right) shakes hands with Afghan President Najibullah during the latter's visit to New Delhi on August 29, 1990.

—Reuters/Bettmann.

playing the Soviet aggression, India found itself neutralized in a major conflict next door. Pakistan, on the other hand, emerged a far more influential regional actor, winning considerable international support.

Unlike its neighbors and the overwhelming majority of Third World countries, India has never questioned the political legitimacy of various Afghan Marxist leaders installed by Moscow, from Nur Muhammad Taraki in 1978 right down to Najibullah.[29] Rather, it continued business as usual, extending technical and economic assistance to the beleaguered regimes.[30] Indian interest in the fate of the Kabul regime grew even stronger as it became clear that the Soviet Union was serious about ending its Afghan war. First, New Delhi attempted to be part of a regional settlement. This effort was frustrated by Pakistan and its allies. Having been marginalized on the Afghan diplomatic scene, India increased its support for the Najibullah regime.[31] India calculated that exhaustion from the war would force the *mujahideen* opposition in the end to accept Najibullah's rule. This perception proved wrong: it was Najibullah who finally caved in under pressure from the Afghan resistance and his regime's own internal divisions.

By opposing the cause of national self-determination, India alienated itself from the popular forces of Afghanistan. Although many of the Afghan opposition leaders could appreciate the closeness of India's ties with Moscow, they expected, at least, a neutral position regarding the war in Afghanistan.

New Delhi's approach overlooked the probability that the future politics of Afghanistan would be more complex than the simple alternatives between secular-

[29]Yossef Bodansky, "New Pressures on Key Indian Borderlands," *Jane's Defence Weekly* (London), Apr. 30, 1988, p. 840.

[30]For a fuller account of Indian policy, see Thomas Perry Thornton, "India and Afghanistan," in Theodore L. Eliot, Jr., and Robert L. Pfalzgraff, Jr., Eds., *The Red Army on Pakistan's Border: Policy Implications for the United States*, Washington, DC, Pergamon-Brassey's, 1986, pp. 44–70.

According to *mujahideen* sources, India's assistance was not confined to economic projects. New Delhi sent military advisers and technicians to man Kabul's sensitive signal intelligence installations and help fight the counterinsurgency war. From author's interviews with Afghan resistance leaders in Peshawar, January 1990.

[31]See a report by Salamat Ali, "India Gets Involved: Gandhi Signals Support for Najibullah's Government," *Far Eastern Economic Review*, May 19, 1988, p. 35. Indeed, India was the first country outside the Soviet bloc to invite Najibullah to visit after the Soviet withdrawal.

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ism and fundamentalist Islamism. In the end, the Afghanistan that may emerge out of the war may be neither controlled by Pakistan nor representative of Islamic fundamentalism. Rather, the country's traditional Islamic character and true independence would conceivably afford much room for cooperative relations with both India and other countries in the region. Unfortunately, India's unflagging support for the Marxist regime in Kabul may preclude New Delhi's drawing benefit from this result. The interim *mujahideen* government has indicated that Kabul will have to review its relations with New Delhi in the light of the latter's persistent opposition to the struggle of the *mujahideen* against the Soviet Union and its Afghan clients.[32]

The future of Indo-Pakistani relations is also cloudy. Antagonistic role images inherent in the psyche of national power structures have constantly prevented defusion of bilateral tensions between the two countries. Attempts to delink confidence-building measures from the contentious issues until such time as either the severity of disputes is significantly reduced or enough good will is created to resolve them have achieved only marginal success.[33] Hangovers of the past have, time and again, caused backsliding to adversarial relations. Kashmir is a case in point.

The fall of the Marxist regime and formation of the *mujahideen* government in Kabul may influence the political and psychological dynamics of ongoing conflict in Kashmir, where India and Pakistan have fought three costly wars. Long before capturing power in Kabul, the *mujahideen* leaders supported the liberation of Kashmir, occupied by Indian forces in 1948 after obtaining an instrument of accession from the ruler of the state, allegedly against the will of his Muslim subjects. Although India pledged itself to conduct a plebiscite in Kashmir to determine the final status of the territory,[34] it has yet to do so, deepening the suspicion and hostility in relations with Pakistan.

Since the Simla Agreement between India and Pakistan in July 1972,[35] Pakistan has preferred to set the issue on the back burner, and has kept it only alive symbolically for domestic political purposes. But with the eruption in 1989 of a mass movement for self-determination from India's rule in Kashmir, the issue has once again moved to the front of the India-Pakistan agenda.[36] Although both countries seem to be showing considerable restraint, escalating exchanges of accusations have produced something of a war hysteria.[37] The current uprising in Kashmir is so intense and widespread that India may not be able to control the situation effectively, even if Pakistan is intimidated into restricting itself to a passive diplomatic role.

Islamabad has, for historical reasons, remained closely interested in the political struggle of the Kashmiris, but it sees the Kashmir uprising as a legitimate movement that has developed indigenously.[38] The current uprising stems primarily from the Kashmiris' alienation from the Indian state structure, constant manipulations of Kashmiri political groups by the New Delhi authorities, and a strong sense of nationalism. Indiscriminate acts of violence committed by the Indian security forces have further worsened the situation.

There is genuine fear in Pakistan that if India's current repressive measures in Kashmir fail, New Delhi may resort to war, citing Pakistan's involvement in separating Kashmir. As long as Soviet involvement in Afghanistan continued, New Delhi felt constrained from pressuring Pakistan for fear of triggering increased flows of Western military assistance to Islamabad. But now, India's decisive military edge over Pakistan and its ability to sustain war for a longer period of time may tempt some of the hawkish Indian leaders to "resolve" the issue by attacking Pakistan with the objective of destroying its military capabilities.

So far, neither country appears to desire yet another costly war, one perhaps more destructive than previous ones, given the high-technology weaponry the two sides possess. Two factors, however, may aggravate tensions. First is public sentiment, which has run far hotter than the relatively cautious statements of government leaders. Second is the upsurge of fundamentalist Hindu elements in the 1991 Indian elections. Although conservative and overtly anti-Pakistan politicians still sit in the opposition, "Crush Pakistan" may yet emerge as a popular political slogan in an India wracked by a mood of uncertainty. The cruel fact is that the decisions

[32]See Ahmad Shah Massoud's interview in *Dawn*, Apr. 24, 1992.

[33]Radio Delhi, Dec. 31, 1988, in *FBIS-NES*, Jan. 3, 1989, p. 43.

[34]On the origins of the Kashmir dispute, see Alastair Lamb, *Kashmir: A Disputed Legacy*, Hertingfordbury, Rexford Books, 1991; and Prem Nath Bazaz, *History of Struggle for Freedom in Kashmir*, New Delhi, Kahmir Publishing Co., 1954.

[35]The agreement put an end to the long period of conflict between the two countries; they pledged themselves to an era of peaceful coexistence and no unilateral changes in the ceasefire-line in Jammu-Kashmir. See Lawrence Ziring, "Bhutto's Foreign Policy, 1972–73," in Henry Korson, Ed., *Contemporary Problems of Pakistan*, Leiden, E. J. Brill, 1974, pp. 56–80.

[36]Pakistan has been accusing India of violating human rights in Kashmir, while India has alleged that Pakistan is furnishing supplies to the insurgent groups. Pakistan raised the Kashmir issue at the meeting of foreign ministers of member-states of the Non-Aligned Movement in May in Bali, Indonesia, and has threatened to take up the issue before the United Nations Security Council. See *Muslim*, May 16, 1992.

[37]For example, former Indian Prime Minister V. P. Singh told the parliament that India should be "psychologically prepared for war." *Financial Times* (London), Apr. 11, 1990.

[38]*Asiaweek* (Hong Kong), Feb. 9, 1990, p. 28; and *Financial Times*, Feb. 13, 1990.

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that would affect the future security of the region may not be completely divorced from the domestic political compulsions of both India and Pakistan.

The Iranian Angle

Although Iran has claimed that unity among all the Afghan resistance parties was necessary if there was to be an effective political alternative for Afghanistan,[39] Tehran's support has remained mostly confined to the Shi'ite factions. With disengagement from its war with Iraq, Tehran stepped up aid to its Afghan clients and paid more attention to their politics. But this involvement never grew to a level that might have been decisive in competition between Shi'ite and Sunni forces in Afghanistan.

Since the Soviet pullout, Iran has focused on forging greater unity among Shi'ite resistance groups. These efforts were crowned with remarkable success in March 1990, when eight Shi'ite parties met together for the first time, in Tehran, to develop a common political and military strategy and form an alliance under the *Hizb-e-Wahdat* (Unity Party).[40] A related objective has been to seek greater representation of the Shi'ite parties within the resistance as a whole and in the *mujahideen* successor regime in Kabul. Lack of agreement on Shi'ite representation prevented those parties from joining the Pakistan-backed interim government-in-exile in 1990.[41] The Pakistan-based parties reportedly refused to accept 25 percent representation for the Shi'ite groups on the Afghan *Shura* (a consultative assembly that elected the interim government). They contended that this figure overstated the share of Shi'ite population in Afghanistan.[42]

Tehran has been ambivalent toward the Pakistan-based parties for at least two reasons. Beyond discomfort with the traditional, non-revolutionary Islam of the majority of the Sunni parties, Iran never felt comfortable with the flow of US support to such Afghan resistance parties. Realpolitik concerns regarding Iran's national interests also play a part, as in Tehran's opposition to parties such as *Hezb-e-Islami* (Islamic Party) of Gulbuddin Hekmatyar. Deprived of Soviet support, the Najibullah regime played upon Tehran's concerns, indicating an apparent willingness to grant autonomy to Shi'ite-dominated areas in return for pushing Shi'ite parties to support an independent deal for Kabul. In return, Iran facilitated Najibullah's November 1990 dash to Meshhad, where he conferred with some of the *mujahideen* leaders, including Pakistan-based moderate Afghans.[43] Although this was an indication that Iran might negotiate with Kabul if the interests of the Shi'ite parties were ignored by the Pakistan-based resistance groups, there was no evidence that Iran had reversed its policy of cooperation with Pakistan in seeking a settlement of the Afghan issue.

Foreign minister Gulbuddin Hekmatyar (right) of the Afghan interim government-in-exile, addresses a press conference in Tehran, Iran, on March 7, 1989.

—AP/Wide World.

Iran has been an important backstage player in the formation of the current *mujahideen* coalition government in Kabul.[44] Tehran expects to obtain a better deal for the Shi'ite groups it has supported and greater influence for itself by patronizing moderate Sunni parties and the Tajik and Uzbek *mujahideen* commanders. Iran continues to cooperate with Islamabad in trying to work out a political settlement in Afghanistan. The two cooperated in convening two trilateral conferences (in-

[39]Iranian foreign minister's statement. Radio Tehran, Apr. 4, 1990, in *FBIS-NES*, Apr. 5, 1990, p. 40.

[40]Radio Tehran, Mar. 13, 1990, in *FBIS-NES*, Mar. 15, 1990, p. 58.

[41]Interview with Professor Burhanuddin Rabbani, head of the *Jamiat-e-Islami* (Islamic Society) in *Ukaz* (Jiddah), Mar. 31, 1990, translated in *FBIS-NES*, Apr. 5, 1990, p. 36.

[42]Author's interviews with the Afghan resistance leaders in Peshawar, January 1990. Tehran was reportedly more uncompromising on this issue than were some of the Shi'ite resistance groups themselves.

[43]*Muslim*, Nov. 26, 1990.

[44]Mushahid Hussain, "An 'Afghan Solution' for Peace," *Nation* (Lahore), Apr. 27, 1992.

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volving Iran, Pakistan, and Afghan resistance groups) that brought Sunni and Shi'ite groups together on the same platform. But ultimately it will be up to the Afghans to determine whether a suitably representative political authority can be created in Kabul that will satisfy the diverse *mujahideen* groups. In the case of fragmentation of Afghanistan into smaller units, Tehran might be tempted to offer greater support for Shi'ite groups in the Hazarajat and Herat regions.

Improvement in Iran-Saudi relations may also have some impact on the Afghanistan situation. Rivalry between Tehran and Jiddah has been muted by common antipathy to Iraq's Saddam Hussein. The two countries have restored diplomatic relations (severed during the Iran-Iraq war). A triangular consensus (involving Iran, Pakistan, and Saudi Arabia) has finally developed in support of the accord reached in Peshawar on April 25, 1992, that spelled out a transitional government arrangement for Afghanistan.[45]

Conclusion

The changes in the international environment over the past two years have removed the most stubborn obstacle to negotiation of political settlements of regional conflicts in places like Afghanistan, but the question remains whether deep-rooted indigenous polarizations and their inherent contradictions will disappear with the end of the cold war.

In Afghanistan, the long-term conflict has changed the traditional social and political order of the country. The most important development is the new salience of ethnic identity.[46] Then, too, the influence of traditional authorities, such as the village and the tribal chiefs, who once mediated social conflicts, has declined. As many village and tribal leaders fled to Pakistan, the war at home brought forth a new class of leaders—the resistance commanders. Moreover the resistance groups are riven with fierce political and personal differences; with few exceptions, each group fought the Soviets independently. Their internal divisions and the absence of democratic political institutions will doubtless complicate the process of maintaining a stable governing coalition. This instability, in turn, will contribute to ongoing instability in relations with and among other states of the region.

[45]Dontella Lorch, "Rebels Agree on Interim Rule for Kabul," *The New York Times*, Apr. 25, 1992.

[46]See, for instance, Graham E. Fuller, "Afghanistan's Jagged Mosaic," ibid., Mar. 23, 1992.

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Communism at the Crossroads: Changing Roles in Western Democracies

Frank L. Wilson

The failure of Eurocommunism at the end of the 1970's marked the beginning of a difficult, decade-long search for a new political strategy for West European communist parties. This quest has proven unsuccessful. As the end of the 20th century approaches, there is reason to believe that the communist hope that seemed so bright at the beginning of the century in Europe will have entirely disappeared by its end.

There are several reasons for the difficulties faced by communist parties in Western Europe. Socio-economic changes in these industrial states over the decades have eroded communism's political base of the working and dispossessed classes. There has also been a significant shift of political values among West Europeans from the economic ones addressed by communist ideology to new concerns for quality of life and for political participation that are alien to communism. Finally, there has been the inevitable deradicalization that comes when a revolutionary party engages in democratic, electoral politics. These challenges resulted in electoral reverses and the abortive attempt to counter them through Eurocommunism.

The New Challenges of the 1980's

Two additional changes that took place during the 1980's turned the difficulties of West European communist parties into a genuine crisis of survival. The first of these was a fundamental shift in the political balance in Western Europe during the early part of the decade that made segments of West European publics less receptive to communist ideology. For nearly 40 years, European politics had been dominated by a "postwar consensus" on political and economic matters that basically reflected values defended by the social democratic Left: social welfare programs, state economic planning and intervention to assure steady economic growth and manageable inflation, government efforts to maintain full employment, and a commitment to diminish economic and political inequities. This agenda originated on the Left but has become accepted by all parts of the political spectrum in Western Europe. Even as free enterprise continued to dominate these economies, there was widespread revulsion against capitalism, stock markets, profits, consumerism, and other supposed ills of free enterprise. While communists did not share the underlying assumptions of this consensus, they could and did advocate social democratic principles while awaiting the chance to introduce more fundamental social change.

This postwar economic and social consensus was eroded by the prolonged crises of the 1970's.[1] The old economic and social solutions did not seem to solve the prolonged stagflation and rising social tensions of that decade. By the beginning of the 1980's, a new political agenda emerged based on the economic and social thought of conservative thinkers.[2] Centering its beliefs on free enterprise economic liberalism,[3] New Right ac-

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[1]Mark Kesselman, Joe Krieger, et al., *European Politics in Transition*, Lexington, MA, D. C. Heath, 1987.

[2]See Desmond S. King, *The New Right: Politics, Markets, and Citizenship*, Chicago, Dorsey, 1987; and Arthur Seldon, Ed., *The 'New Right' Enlightenment*, London, Economic and Literary Books, 1985.

[3]The European use of the term "liberal" has an entirely different meaning than its use in the United States. In Europe, liberalism means a reliance on market forces and free enterprise instead of government planning and intervention to direct the economy.

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tivists advocated rolling back the social democratic accomplishments of the previous 40 years. They called for an end to government economic regulation, the privatization of publicly-owned enterprises, lower taxes for the wealthy in order to restore entrepreneurial initiative, and a curtailment of social welfare programs.

While public support for the new consensus was not clear, the thinking of the New Right dominated the political agenda during the 1980's. The principles of the New Right inspired and reshaped the political programs of centrist and even left-of-center governments throughout the industrial world. Thus, the socialist governments of François Mitterrand and Felipe González, Helmut Schmidt's social democrats, and other social democratic governments and parties across Europe were influenced by the new agenda of less government, of privatization, of market-driven employment levels, and of free-enterprise capitalism.[4]

The popular revival of free enterprise in Western Europe brought an economic boom by the mid-1980's. As governments sold off publicly-owned enterprises, millions of citizens became stock-holders for the first time. Profits, entrepreneurship, stock-ownership, and conspicuous consumption became fashionable in European countries, whereas previously they had been viewed as part of the evils of capitalism. The stunning economic successes of capitalist economies in Asia (Japan, South Korea, Taiwan, and Singapore) were indisputable and contrasted with the slowing economies in communist countries. They offered evidence that rapid economic growth was possible without the human costs and totalitarianism of the Stalinist model of development.

Even in intellectual circles, which had long been centers of radical economic and political thought, capitalism emerged with a new, more acceptable image. It was politically correct to speculate about the possible end of the long popularity of Marxism and Marxism-Leninism among European intellectuals. In the 1950's and 1960's, writers and artists of note loaned their names and gave their endorsement to communist parties. Marxism-Leninism was widely seen by intellectuals as offering a useful tool for analyzing past and present society. This was no longer the case by the 1980's. One author described this change in France, where communism had once been very much in vogue among the highly visible French intellectual circles:

The collapse of the communist mystique among French intellectuals contributed to the general decline in the appeal of Marxism in France. Once the dominant school of thought in the academy, in the French salons, and on the intellectually vibrant Parisian Left Bank, Marxism by the late 1970's had come to be viewed as largely passé and banal. In France of the mid-1980's, it was no longer fashionable or intellectually respectable to be a communist.[5]

The same discrediting of communism occurred among intellectuals throughout Western Europe. The divorce of intellectuals from communism was theatrically captured in the denunciation of the French Communist Party (PCF) by the French actor Yves Montand, who had publicly supported it for decades.

The dominance of the new agenda of free-enterprise economics, privatization, and less government pressed the communists to the political sidelines. While communists could support elements of the old social democratic agenda, they were unable to embrace the capitalism inherent in the new agenda of the 1980's. Their alliances with social democrats were strained or broken as the socialists moved to incorporate elements of the new agenda into their programs. Thus, the PCF, always a reluctant coalition partner, pulled out of Mitterrand's socialist government in 1984. The Italian Communist Party (PCI) abandoned the historic compromise as the Christian Democrats lost interest in the old social welfare consensus and picked up themes of the New Right.

Above all, the shift in political agendas left the communists appearing to be among the sole advocates of a discredited past. Their support of government economic planning, nationalization of industry and finance, and new social benefits for workers seemed out of step with the times. For most of the century, communists had benefited from a public image as an avant-garde, forward-looking party of the future. They now appeared increasingly as a rear guard consumed by their opposition to the changes in society and the economy that everyone else regarded as essential adaptations to new situations.

Of course, not everyone approved of the new conservative agenda and its social and political consequences. But the communist parties rarely emerged as an attractive alternative for these dissenters from the new agenda.[6] More frequently, those unhappy with the embrace of capitalism by most of the main parties turned to new social movements to express their oppo-

[4]Geoff Hodgson, *The Democratic Economy*, Harmondsworth, England, Penguin, 1985; and Alex Nove, *The Politics of Feasible Socialism*, London, George Allen & Unwin, 1983.

[5]Zbigniew Brzezinski, *The Grand Failure: The Birth and Death of Communism in the Twentieth Century*, New York, Charles Scribner's Sons, 1989, p. 207.

[6]Ronald Inglehart, *Culture Shift in Advanced Industrial Society*, Princeton, NJ, Princeton University Press, 1990, pp. 248–88.

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sition.[7] They expressed their disagreement with the new agenda through forming ecological parties, women's organizations, tenants' movements, and anti-nuclear movements. They found the communists' programs of little interest and the communist parties' hierarchy and discipline unacceptable. In a sense, the shifting political agenda created a ghetto for the communist parties that was different from the old cold war ghetto of the 1950's and 1960's but every bit as effective in keeping them out of the political mainstream. Indeed, it may well end up being more effective in that communists now look too out-of-date rather than too avant-garde.

The dated nature of communism was accentuated by the collapse of communism in Eastern Europe. For communist parties in the West, the Soviet Union was the model for the future, and represented the revolution in action. They obeyed Moscow's ideological strictures and defended the October Revolution and all its works. One observer caught the importance of the Soviet-dominated party and model of the ideal future:

Communist parties without a Moscow-centered world party would be like the Roman Catholic churches without a pope, without the need to follow a dogma decreed from a single source.[8]

Early in the 1980's, the countries that had long been held up by communists around the world as models for their future were seen to have serious faults. By the end of the decade, most of these communist regimes had disappeared or radically transformed themselves.

Long overlooking the flaws and shortcomings of these regimes, Western communists had pointed with pride to the economic development, political stability, and social justice achieved in these communist regimes. By the mid-1980's, these favorable assessments of the socialist states had become increasingly difficult to make as evidence of the economic paralysis, political instability, and social injustice in Eastern Europe and the Soviet Union accumulated. The problems faced by these states were not new, but as Soviet leader Mikhail Gorbachev pushed for major changes in *perestroyka,* he had to admit and demonstrate the failure of the old system.[9] In short, the Soviet model of economic development, political stability, and an egalitarian society no longer looked so appealing. Marxism-Leninism became "a globally discredited ideology."[10] Finally, in 1991, the failed coup by hard-line communists, Gorbachev's resignation as party leader, and the dissolution of the Soviet Communist party confirmed the bankruptcy of communist ideology.

The failure of communist parties in power brought a major crisis of identity for communists in non-ruling parties. The characteristics that had long separated these parties from other parties and given them their distinctive identities were now undermined: their adherence to Marxist-Leninist doctrine; their advocacy of the Soviet model as the future they wished to create; and the unique features of their party organization. Now Marxism-Leninism was nearly universally rejected even in those countries that had for decades claimed to use it as a guide. No Western communist party believed that it could inspire revolutionary efforts in its country by pointing to the shaky remnants of communism in Cuba, North Korea, Vietnam, or China. Communists everywhere began the process of seeking new ends and means in order to survive in this new "postcommunist" milieu and to escape from the growing public impression that their parties were parties of the past whose visions of the future had failed.

Is There a Postcommunism for Communist Parties?

For communists in Western Europe, these changes had profound consequences. The discrediting of the Soviet system offered both a challenge and a new opportunity. The challenge was to escape the fate of the communist regimes toppling in the East. The opportunity came from the chance to fashion a new party and a new vision of the future that would be more compatible with national traditions than had been the Bolshevik model of Marxism-Leninism.

The process of reacting to the changing situation has been wrenching for virtually every Western communist party. In one sense, the change has been harder for the non-ruling communist parties than for the communists in Eastern Europe and the Soviet Union. In the East, people became party members out of necessity; membership was required to pursue political careers and to gain social and economic advantages. By contrast, party members in Western Europe joined the communist cause out of a deep commitment to its ideological goals in spite of the social and political disadvantages.

[7]Russell J. Dalton and Manfred Kuechler, Eds., *Challenging the Political Order: New Social and Political Movements in Western Democracies*, Oxford, Oxford University Press, 1990.

[8]Seymour Martin Lipset, "The Changing Class Structure and Contemporary European Politics," *Daedalus* (Cambridge, MA), Winter 1964, p. 292.

[9]Mikhail Gorbachev, *Perestroika and the New Thinking*, New York, Harper & Row, 1987.

[10]Brzezinski, op. cit., p. 189.

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An elderly man gives a clenched-fist salute at a rally of the Italian Communist Party in June 1976.

—AP/Wide World.

It was far easier for the communists in the East to abandon their doctrines and even their parties than it was for those in the West. One of the few rewards for a person involved in a permanent minority party, such as one of the West European communist parties, was the emotional satisfaction of defending a pure, unadulterated ideal or ideology. As communist parties have had to rethink their doctrines and abandon major tenets, these activists find the very meaning of their partisan commitment threatened when sacrosanct principles yield to practical political concerns. The meaning of the political, social, and economic sacrifices they had made by joining the communist party was threatened by the doctrinal and organizational transformations of the party in the West. In addition, communist party members feel a commitment to keep their parties pure and unchanged to honor the memory and sacrifices of their comrades who in the past had paid with their lives to defend the integrity of the party and its doctrines.

These important emotional attachments to the past and to ideological rewards rendered the process of adjustment very difficult and divisive in Western Europe. In the past, party discipline, democratic centralism, and deference to Moscow protected the parties from unseemly, open fights over doctrines and strategies. Now, internal party debate, leadership battles, and open schism are common in West European communist parties. As a result, responding to the new challenges and opportunities is still in progress. Communists are genuinely confused about the way to retain their identity and legacy while accepting the new political situation of the 1990's. Stanley Hoffmann described the dilemma that these parties face even before the crisis reached the acute stages of the past few years. He noted that West European communist parties "behave like a church that is afraid both of losing its distinctiveness by throwing out too much of a now unappealing dogma and of losing its appeal by not throwing out enough."[11]

This dilemma is complicated by the fact that the readjustment of party goals coincides with important electoral losses for nearly all West European communist parties. In responding to declining voter support,

[11]Stanley Hoffmann, "Fragments Floating in the Here and Now," *Daedalus*, Winter 1979, p. 17.

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the communist party leaders are tempted to retreat to past themes and strategies in order to please the remaining party stalwarts. This often seems less risky than adopting new approaches in the vague hope that they might attract new voters. Thus, changes in West European communist parties remain hesitant, partial, and sometimes contradictory.

Options

The incomplete nature of the response of communist parties in the West to the major events in Eastern Europe and the former Soviet Union draws attention to several options they have considered or tried. In a way, the problems they face are more challenging than those confronting Eastern Europe where completely new party systems are emerging. In the West, communist parties are essentially locked into their past positions by other parties on both ends of the political spectrum. Their room to maneuver is limited by the occupation of the political space on their Left and Right by other well-established and often successful parties.

In spite of the communist parties' efforts to have no rival to their Left, small Trotskyite, Maoist, and anarchist parties on the extreme Left have impeded their move to a more revolutionary stance. Similarly, on their Right, the socialists or social democrats with long traditions in most West European countries and large electorates made any move toward a more moderate stance impossible. In addition, other parties and new social movements had seized the initiative and were building support around new issues such as student rights, environmental protection, women's rights, and enhanced participatory democracy.[12] In short, the communists' attempts to redefine their essential nature were constrained by the fact that other parties occupied the political space around them and had already done what the communists might otherwise have wanted to try.

A protest party. The option open to Western communist parties that preserved the greatest continuity with the past was to emphasize the role of representing the downtrodden and the oppressed as a protest party. It involves maintaining the traditional dogma, especially the part that stresses the party's role in seeking redress from the abuses of capitalism. This means a return to the "tribune party"[13] of the early postwar years that spoke out for the interests of the disadvantaged. In the past, that tribune role was supplemented by a vision of a new and more just society that the communists promised to achieve once in power. Today's communists seek to play the role of tribune without a well-defined vision of a better world. They do so by embracing the causes of those who are disadvantaged economically or politically in their countries. It requires no commitment to an alternative vision since the more demagogic the promises and the more forcefully they are presented, the more the party is apt to appeal to those with grievances.

There are two major problems with the protest-party option. One is that it leaves the party seeking diverse support from people with disparate and even conflicting goals. If the party becomes the champion of those who are left behind by the transformation of their societies, its image of a dated and outmoded political formation will be reinforced. That, in turn, will further hinder its efforts to regain broad political support. The second difficulty is that there are other parties now claiming that protest vote: the small extreme–left-wing parties that can more credibly seek the support of the small clientele for revolutionary movements in contemporary Western Europe; the social movements such as the ecology movement that can better champion the new issues; and the extreme–right-wing parties that exploit popular social and economic discontent presumably caused by large numbers of immigrants and decaying public order in large cities.

This protest option is the one that has been adopted by the French Communist Party. It has rejected reform or doctrinal revision and has instead intensified its efforts to build a broad-based protest party still committed to revolution. The PCF seeks to counter its electoral decline "by serving as a catch basin for protest."[14] It has renewed its efforts to advocate the causes of striking workers, at times, exacerbating labor relations with class-warfare rhetoric. Local PCF leaders have also sought to capitalize on public antipathy toward immigrants, and the national leaders have often tolerated efforts to mobilize support for the party on the basis of this kind of discontent. Conversely, the PCF has tried to recruit immigrant workers who have their own long list of grievances. The PCF has also sought support from those unhappy with the loss of their jobs as a result of the expanding European Community and of Japanese economic penetration.

French Communists are dismayed by the changes in Eastern Europe and the Soviet Union. They reject the notion that *perestroyka* and *glasnost'* have relevance

[12]Dalton and Kuechler, Eds., op. cit.

[13]Georges Lavau, "The Communist Party in the French System," in Frédéric Bon, et al., *Le Communisme en France* (Communism in France), Paris, Armand Colin, 1969.

[14]Heinz Timmermann, *The Decline of the World Communist Movement: Moscow, Beijing, and Communist Parties in the West*, Boulder, CO, Westview, 1987, p. 166.

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A demonstration organized by the communist-led Workers' General Confederation in March 1987 to protest the French government's social security policies. The banner reads: "Social Security Is Life."

—AP/Wide World.

for their party. They have been critical of the social and economic changes in Eastern Europe.[15] Their criticism of the unemployment, inflation, loss of social benefits, privatization, and economic dislocations in these countries since the fall of communism fits well with criticism of these same problems in their own country. These criticisms are still framed within the context of a broader critique of the capitalist structure. Such attacks help bolster the PCF's claim to be an advocate of those in France who sense a lack of economic justice in the capitalist system.

French Communists remain attached to a basically unreformed version of Marxism-Leninism. That doctrine provides the language of class warfare and oppression that the PCF uses in standing up for discontented citizens. To be sure, the party no longer features its ideology and its attachment to the Soviet model as it did in the past. But it has not reaffirmed the doctrinal changes it made in the early 1970's and then repudiated after 1977. It still retains the symbols, rhetoric, and style of the hard-line, revolutionary party.

It is not clear that the choice of a protest strategy is the result of a conscious decision by the PCF leadership. The PCF has even been somewhat constrained in its protest strategy by its association with the governing Socialists since 1981. Although the PCF formally left government and the presidential coalition in 1984, it has not been able to break completely with the Socialist Party. The electoral system features a second ballot runoff in districts where no candidate wins an absolute majority. A party must have at least 15 percent of the registered vote in a district in order to be present on the decisive second ballot. Without their informal alliance with the Socialists, the Communists would have little chance to win any seats. After the 1988 elections, the number of PCF deputies in the National Assembly fell below the number required for a separate parliamentary group. Although the party was allowed to maintain its official status as a group in exchange for its support for the minority Socialist government, it had no control over the policies pursued by that government.

In pursuing the protest voters, the PCF has encountered a number of problems. The diversity of reasons for protest or dissatisfaction with the system has complicated the PCF's strategy—often the discontented people the PCF is trying to woo have diametrically op-

[15]See for example, Paul Courtieu, "Czechoslovakia: One Year After," *Cahiers du Communisme* (Paris), September 1990, pp. 106–13.

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posed reasons for their dissatisfaction with society. The best illustration is the conflicting interests of lower paid, native French industrial workers and the often very unhappy immigrant workers, who are vying for the same jobs. The discontented indigenous workers see the growing numbers of immigrants as the cause of their own misery; the immigrant workers have their own very real economic and social problems. It is virtually impossible for the PCF to appeal to both of these sources of protest votes. The PCF has faced formidable competition from the far-right National Front of Jean-Marie Le Pen for protest votes. Indeed, that party is more successful than the PCF these days in gaining support from those most discontented with the status quo: the small shop-owners and craft people; urban dwellers facing greater competition for public services and jobs; citizens troubled by the rise of urban street crime; and those hostile to the purported decline in morality and traditional values. Most of these unhappy French voters see the National Front as a more appropriate channel for their protest than the PCF.

The PCF's adoption of the protest stance has not reversed its electoral decline. Once the best organized and wealthiest party in France, the PCF is now struggling to maintain its organizational structure.[16] In the decade between 1978 and 1987, the PCF's membership dropped by over one-third. The party's youth movement lost more than half of its membership. The party has severe morale problems among its remaining members. They are older and lack the zeal and dedication of party activists in the past. These losses have now reached the point where the party's very survival in parliament is at stake. As mentioned above, the PCF has already fallen below the number of seats required for an independent parliamentary group; it is likely to lose even more seats in the next election. It may soon lose its ability to voice in parliament the protests of the discontented it seeks to represent.

Once a major electoral power all over France, the PCF is no longer a national party. Its remaining support is concentrated in a shrinking number of redoubts, notably in the industrial north and in the working-class suburbs of Paris. But even in these strongholds, the PCF's hold on its voters is weakening. The party's remaining voters closely resemble the Socialist electorate in their policy preferences and socio-economic characteristics.[17] As the PCF continues to decline and the Socialist Party continues its successes, more communist voters will choose to "make their vote effective" by supporting Socialist candidates rather than Communists doomed to defeat.

In many ways, the protest strategy now employed by the PCF has been forced on the party by a variety of political factors. With a strong and electorally powerful Socialist Party on its Right, the PCF did not have the political room needed to become a more moderate party of reform. Recently, a series of unsuccessful challenges to party leader Georges Marchais from reform-minded leaders within the party solidified its hard-line position. A shift to a more moderate stance would seem to endorse those party leaders expelled or forced out of the party for challenging Marchais's leadership and course of action over the past 15 years.

Georges Marchais, secretary general of the French Communist Party (PCF).

—Reuters/Bettmann.

Eventually, however, Marchais's long dominance of the PCF will end, and with it may come a new chance to

[16]Philippe Buton, "The French Communist Party Since 1985: An Organization in Crisis," *Communisme* (Paris), Nos. 18–19, 1988, pp. 8–18.

[17]Christian-Marie Wallon-Leducq, "1988: The Year of the Total Paradox: Weighing the Election of the French Communist Party," ibid., Nos. 20–21, 1988–1989, pp. 154–64.

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revise its stance. But that time of adjustment may well come too late to save the party that for many years was the single most popular party in France. The PCF is now increasingly relegated to a role of sterile and impotent protest party without a vision of a newer and better future.

A moderate, left-of-center party. Although the future of the PCF looks bleak, the natural course of moderating party doctrines may continue in some settings to the point that the communist party becomes a broad-based party that accepts parliamentary democracy and seeks to achieve limited reforms through constitutional means. If this happens, Eurocommunism would simply be taken one step further, and the expectation that after a stage of "advanced democracy" there will be evolution toward some utopian communist ideal would be abandoned. Instead, communists would accept the existing social, economic, and political order and would work to improve it rather than to replace it. The communist party would seek modest changes to benefit the less-advantaged portions of society without presenting a clear vision of an alternative socio-economic order to replace the existing free enterprise society.

As a reformist communist party sheds its distinctive Marxist-Leninist dogma, symbols, and tactics, and seeks reform rather than revolution, it becomes very much like the mainstream social democratic or socialist parties that have long played important parts in West European politics. Its transformation involves the tacit or explicit repudiation of the communist legacy of rejecting the reformist, social democratic pathway to a new society. It does, however, assist the party in overcoming the legacy of failed communist regimes. The problems of the Soviet Union and the former communist regimes in Eastern Europe do not embarrass such a reformist party because it does not hold up these countries as models for its future. Such a reformed communist party may become a major advocate of moderate social change and enhanced civil liberties in its own country.

Without the ideological baggage of the past, a reformist communist party can extend its electorate beyond industrial workers and tenant farmers by appealing to a broader range of citizens in other socio-economic categories. In an era when citizen demands for total social change are rare, a more moderate program might enable the communists to win the support of those who have minor grievances but who do not want to see a change in the system. It may pick up support from voters who support the social welfare consensus that other parties, even those that embraced these values in the past, have now abandoned. Such a course of action has long been denounced in communist circles as "electoralism" and "right-wing revisionism," but this criticism is much less hurtful in an era when there is widespread repudiation of old Marxist-Leninist doctrines even by those who once were its most ardent advocates.

The chief difficulty with this option is that there is usually another party with an identical approach: the social democratic or socialist party. It is only where such a party does not exist or where it is weak that the communist party can successfully adopt this option. As early as the 1950's, one observer correctly noted that communist parties, then still in their Stalinist guise, could only thrive where social democratic parties were ineffective.[18] As they moderate their Leninist features and doctrine, they are most likely to succeed where they have the political space to become a moderate left-wing party. If there is already a powerful social democratic party in that space, the reformist communist party is forced into the difficult task of defining how its stance differs from that already established party.

The Italian Communist Party has political space on its Right open to it. After World War II, the Italian socialist movement lived through decades of division and ineffectiveness. Until the 1980's, the Italian Socialist Party (PSI) and the Italian Social Democratic Party (PSDI) languished on the margins of Italian politics. Thus, when the PCI began its search for a new strategy, it did not have to worry about distinguishing itself from the moderate Left.

The PCI also started its transition from a position of strength: it was the second most popular party in Italy and by far the largest party on the Left. In the early 1970's, it had demonstrated its commitment to the regime when domestic terrorism seemed to threaten the very existence of the Italian republic. Also, while establishing itself as the principal voice of opposition to the Christian Democratic government, the PCI had proven its responsibility in the style and content of its opposition. Its genuine enthusiasm for the Eurocommunist changes marked only the beginning of the party's effort to become a moderate left-wing party.

After the failure of Eurocommunism and as the general crisis of communism grew, the PCI moved even more clearly toward the political center. It recognized that the communist model, even a modified one, was not applicable to Italy or to the rest of Western Europe. It has abandoned the search for a middle path between the Soviet model of communism and Western social democracy. Italian communists now present themselves

[18]Gabriel A. Almond, *The Appeals of Communism*, Princeton, NJ, Princeton University Press, 1954, pp. 386–88.

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as *mialioristi*—those who want to improve capitalism rather than to abolish it.

In the process, the PCI has completely abandoned its Marxist-Leninist doctrine. In a special party congress in 1986, the first extraordinary congress in its history, the PCI endorsed party leader Alessandro Natta's call to abandon any remaining traces of "ideological dogmatism." The party no longer talks of class warfare; and it avoids anti-American outbursts. Marx is referred to primarily in his role as a critic of Western society; Lenin is rarely cited. Even Antonio Gramsci's ideological writings have been shunted to the side. A PCI Central Committee member told the press: "Marxism-Leninism as a state religion has had its day, and no one believes in it anymore."[19] Over the past decade, the PCI has gradually eliminated the traditional Marxist-Leninist rhetoric from its public and internal discourse.

In so doing, the PCI has attempted to develop new international relationships. It has abandoned all its ties to the international communist organizations and now seeks to align itself with social democratic parties in Western Europe. Thus, in the late 1980's, the PCI urged its associated trade union, the General Confederation of Italian Labor (CGIL) to leave the Moscow-dominated World Federation of Trade Unions and to seek affiliation with the International Confederation of Free Trade Unions and its European branch. The PCI also dropped its association with other communist parties in the European Parliament and formed a separate group while working for acceptance by socialist parties as part of their parliamentary group.

The PCI now wants to be an integral and an "integrating party of the European Left."[20] It seeks to become Italy's party of the moderate Left, the moderate reformist alternative to the governing Christian Democrats. In an effort to put to rest its past reputation for anti-Americanism, the PCI took the unusual step of offering financial aid to Spanish Socialists in order to assist Felipe González in his referendum campaign on continued Spanish membership in NATO.[21] Western socialist parties, long accustomed to avoiding communist meetings, began sending delegations to PCI congresses and welcoming visiting PCI officials in their own countries.

In recent years, the PCI has also set broadening its electorate as a top priority. One of its major goals has been to increase its attractiveness to Catholic voters. By the 1970's, the PCI had toned down its crusading atheism and attacks on Catholicism. Marx's old dictum about religion being the opium of the masses disappeared from the PCI's doctrinal rhetoric.[22] As far as the party was concerned, there was nothing incompatible about being a member of the party and being an active Catholic. The public increasingly perceived that one could be both a good Catholic and a good Communist.[23] In the 1980's, it was not unusual for Communist rallies in Catholic areas to display not only the red banner and the national flag but also the flag of the Catholic church. Nevertheless, the party failed to achieve the historic compromise with Christian Democracy or gain the new voters it needed for its own electoral majority.

Efforts to change the party's program and image have persisted through several leadership shifts: from Enrico Berlinguer to Natta in 1984 and to Achille Occhetto in 1987. Unlike the situation in France where Marchais's long hold on power paralyzed party reform, the Italian party changed leaders at regular intervals. At no point did the leadership shifts bring serious reconsideration of the party's new course. There has even been some relaxation of the traditional Leninist internal party discipline. Factions have emerged and have become important players in party politics.

The culmination of this transformation in the Italian party came in 1991 when a party congress ratified a change in its name. It is now known as the Democratic Party of the Left. The hammer-and-sickle symbol has nearly disappeared, replaced by a small emblem, indicating the party's legacy, at the base of the large oak tree that has become the party's chief symbol. The changes were approved by 60 percent of the congress delegates. The drama of this change was heightened when the congress that formed the new Democratic Party of the Left was so divided that it was unable to elect a leader. Achille Occhetto, the party leader and architect of the changes, failed to get the required majority and withdrew from the leadership contest. Eventually, but not before the congress broke up in confusion, he was selected as general secretary in a special meeting.

The confusing leadership battle revealed the remaining divisions over the party's transformation. Even among advocates of party renovation, there were sharp differences over the nature of that change. Some wanted a clear break with the past and a forthright attempt to

[19]Cesare Luprini, *La Repubblica* (Rome), Jan. 14, 1986.
[20] *L'Unità* (Rome), April 10, 1986.
[21]*The Christian Science Monitor* (Boston), Jan. 28, 1986.

[22]David I. Kertzer, *Comrades and Christians: Religion and Political Struggle in Communist Italy*, Cambridge, Cambridge University Press, 1980, p. 125.
[23]In 1961, only 19 percent of Italians responded "yes" to the poll question: "Can one be a good Communist and a good Catholic at the same time?" In 1972, 55 percent responded "yes" to that same question. See Giacomo Sani, "Electoral Realignment and Party Identification: Toward a Hegemony of the Left?" *Revista Italiana di Scienza Politica* (Rome), No. 5, 1975, p. 351.

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Achille Occhetto, general secretary of the Italian Democratic Party of the Left.

—AP/Wide World.

claim the position of social democracy in Italy; others wanted a new name and image but preferred defining a distinctive position to the Left of social democracy more consistent with the party's legacy. Still others were opposed to any change at all. Some of them, an estimated 5 percent of the party's membership, left to form a small dissident party loyal to the party's Marxist-Leninist traditions. Such internal divisions are not unexpected given the dramatic changes PCI is making. It is a party that had developed a strong supporting subculture based on its ideology, its revolutionary struggles through difficult times, its heroes from the fascist era, and a special world view. As that legacy is abandoned—even repudiated—many members and supporters who remain attached to that glorious past are disoriented and disaffected. Thus, party membership fell by nearly half during the last half of the 1980's: from 1.6 million members in 1983 to a claim of only 800,000 members in 1990.

The voters' reaction to the new Democratic Party of the Left is still uncertain. Earlier changes in the PCI, especially during the 1970's and the first half of the 1980's, brought important electoral gains to the communists. In the 1984 European elections, the PCI, buoyed by a "sympathy" vote after the death of party leader Enrico Berlinguer, actually outpolled the Christian Democrats. After that, the PCI's electoral support declined.

The party's unfortunate dispute over its highest leadership post immediately after it had formed robbed it of any momentum it might have gained from the excitement generated by its creation. However, the real test of its viability will be its ability to retain and expand the old PCI electorate. Many of the party's traditional supporters, who were attracted by the party's ideology and position on the far Left of the political spectrum, may not find the new party very satisfying. Barring some sudden and dramatic political change, other voters, who had not supported the old PCI, will be difficult to attract. In fact, in the 1992 elections, the first test for the new Democratic Party of the Left, it gained only 16 percent of the vote. This represented a drop of 10 percent from the previous parliamentary elections and a decline to nearly half the PCI's voting strength in the 1970's. A dissident Communist party claiming a more orthodox Marxism-Leninism drew an additional 5.6 of the national vote. Not only had the PCI's renovation failed to produce electoral growth; it coincided with the party's greatest electoral defeat in its entire history.

Above all, the Democratic Party of the Left will have to more clearly articulate its objectives and positions, a difficult task given its internal divisions and the difficulty of charting a democratic, reformist platform that differs from that of the PSI or even of the more progressive parts of the Christian Democratic Party. A final challenge is that while the new party seeks to claim the political space of the socialists, the PSI is experiencing revival under the leadership of Bettino Craxi, an able and ambitious leader. Craxi, who as prime minister headed Italy's most durable government coalition, has his own vision of leading the Left-of-Center in a new bid to seize political leadership from the Christian Democrats.

From the standpoint of its initial strength and favorable political situation, the Italian Communist Party seemed well positioned to exercise the social democratic option. The difficulties that it already has encountered and the remaining uncertainties illustrate the challenges for all communist parties in attempting this reformist option as they consider their place in the era of "postcommunism."

"Conscience of the Left." For some communist parties, another option is that of serving as the "conscience of the Left." Such parties compete alongside large and successful social democratic parties and seek to benefit from the dissatisfaction of left-wing voters with the compromises of governing social democratic parties. An electoral system premised on proportional representation permits them to elect members of parliament even with a small number of voters. Their presence on the political and parliamentary scenes

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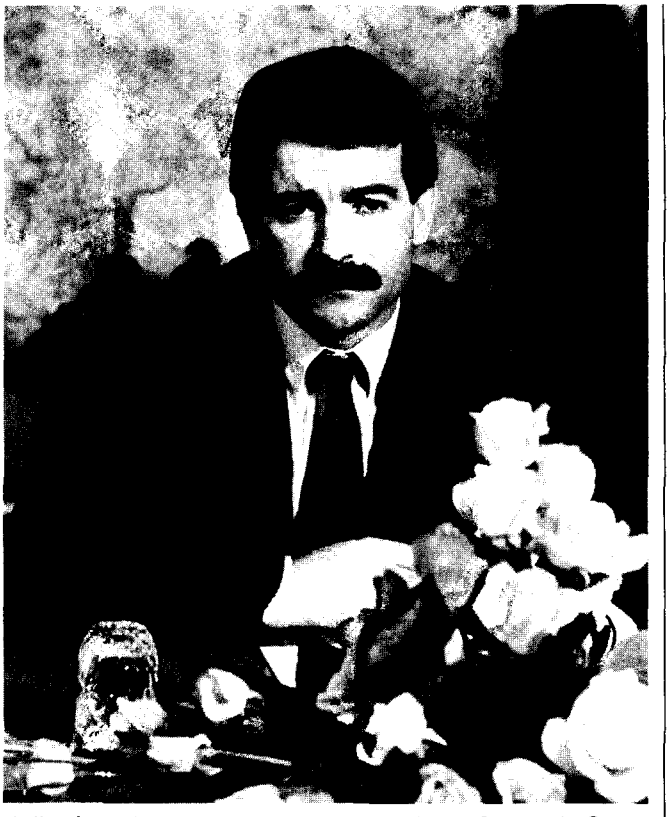
keeps the social democratic parties from straying too far to the Center or Right out of fear of losing key voters from their own left wings to the communists.

These parties can still retain relatively orthodox communist ideologies. Few voters or even members take seriously their revolutionary rhetoric or aspirations. But their radical stances remind voters and the social democratic party of traditional leftist values and goals. They can champion the causes of the disadvantaged in society and continue to promote traditional left-wing social and economic goals. In those cases where the social democrats lack a parliamentary majority of their own, the communists may hold the balance of power and, even while remaining out of the cabinet, have an impact on the social democratic government's policies. In voting for the communists, left-wing social democrats can send a message of protest to their own government while still indirectly supporting it.

The best example of this is the Sweden's Left Party–Communists. Its electorate is small, ranging from a postwar low of 3 percent to a high of 11 percent. In recent years, the party's support has ranged from 5 to 6 percent. The Swedish electoral system permits the representation in the Riksdag of any party receiving 4 percent of the nationwide vote. During much of the 1970's and 1980's, the Social Democrats' majority depended upon the informal support of the Communists. Left-wing Social Democrats have seemed content with that since they hope that it will keep their party true to its principles. Indeed, observers of Swedish politics talk of a "comrade 4 percent phenomenon," which is produced by left-wing Social Democrats who vote for the Communist party when polls suggest that the party may be falling below the 4 percent threshold needed for entry into the Riksdag.

For much of the postwar era, the Communist party has drawn a substantial portion of its votes from those who admit that their preferred party is the Social Democratic Labor Party. In the 1988 election, for example, an estimated one out of four people who voted for the Communist party indicated that they preferred the social democrats.[24] Voting for the Communists was a way for left-wing Social Democrats to show their displeasure with their own party's leadership and government policies without throwing the Social Democratic Labor Party out of government. The 5.9 percent of the vote received by the Communists in 1988 came at a time when other communist parties in Western Europe were declining. It represented not a surge in Communist support but rather a strategic vote by many Social Democratic voters to warn their own party against moving too far to the Right.



Julio Anguita, secretary general of the Spanish Communist Party.

—Eastfoto.

As communism collapsed in the East, the Swedish Communists changed their name, becoming the Left Party in May 1990. Under Chairman Lars Werner, the party tried to adjust to a political setting no longer favorable to the traditional left-wing agenda. The new party faced internal dissent over the name change and over its ability to survive without its Leninist legacy. The sharp decline in support for all the leftist parties in the 1991 elections confirmed the difficulties facing even those communist parties that had in the past successfully stood as the "conscience of the Left."

Another party seeking a similar role on the Left of a governing social democratic party is the Spanish Communist Party. Under party leader Julio Anguita, Spanish communists have a leading role in a coalition of far leftist parties known as the Left Alliance. The Alliance doubled the Communist party's vote in 1989, taking 9.1 percent of the vote and 17 seats in the Cortes. The party retains its own organizational structure and personality within the coalition. But the key to the success of the Alliance in 1989 was the discontent of many leftist voters with the moderation of Felipe González's social demo-

[24] Jorgen Hermansson, "The Swedish Communist Party and the General Elections of 1988," *Communisme*, Nos. 21–22, 1988–1989, p. 182.

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cratic government. Many of them voted for the Left Alliance to warn the socialists' against further compromises.

French communists might also aspire to this role of "conscience of the Left." However, the French electoral system and parliamentary rules have made the PCF a hostage to the Socialist Party rather than the conscience of the Left. The requirements of the two-ballot electoral system discussed earlier are becoming increasingly difficult for the Communists to satisfy. Success for Communist candidates who have obtained the required 15 percent of the vote and thus appear on the second ballot usually depends upon the withdrawal and support of the Socialist candidate. In addition, the party's right to have its own parliamentary group depends upon the election of at least 30 deputies. The party fell short of that number in 1988—and does not appear likely to do better in future elections.

Conclusion

None of the various options open to communist parties seems a very promising response to their current crises. This does not mean that these parties will disappear in the West even as they are dissolved in the East. In the East, entire regime changes are sweeping away the discredited communist parties. In the West, there are no regime changes likely to reset the political stage entirely. In the absence of such cataclysmic events, the inherited voting loyalties and durable political cleavages that shape electoral behavior often keep parties alive long after their goals have ceased to respond to current political needs. Their own organizational strength and inertia may maintain their existence as distinct political entities. Thus, small communist parties may continue as relics of the past in many Western democracies. They will no longer be politically isolated by those fearing the danger such parties might post to democracy, but they nonetheless will be confined in political ghettos of ineffectiveness and irrelevancy.

The weakening of communist parties is not necessarily a good thing for Western democracies. Although these parties started out decades ago as revolutionary movements, they ended as parties supportive of the democratic systems that eventually undid them. By the 1970's, they were fully involved in democratic politics. The communist parties integrated many citizens who felt abused by capitalism and democracy into the democratic system. They channeled social discontent into electoral and party politics and into trade union action. At the same time, these parties still represented the interests of the marginal, dispossessed groups in their societies. The downfall of communist parties in the 1980's and 1990's eliminates these responsible advocates of the discontented.

Without the powerful voice of communist parties to speak out for the alienated, the latter will search for new vehicles for their protest. The growth of radical right parties in so many West European countries in the past decade illustrates this shift of the discontented and the threatened citizens to new, unpredictable, and even anti-democratic movements. We may yet come to regret the passing from the political scene of the "tame" communist parties of the 1970's and 1980's that were able to absorb and direct social unrest into productive and democratic modes of action.

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Private Farming and Agrarian Reform in Russia

Stephen K. Wegren

As economic conditions in Russia continue to deteriorate and thus threaten political stability, the issue of agrarian reform becomes ever more critical. In late 1991, the Russian government considered the food situation in the country catastrophic, and as Russian President Boris Yel'tsin told the opening session of the 5th Congress of People's Deputies in October 1991, the country was faced with the task of creating a "fundamentally new situation in the agrarian sector."[1] A key element in the project of agrarian reform has been the promotion of private peasant farming.

The problems confronting Russian agriculture are multifaceted. They range from the basic issue of inefficient, insufficient production to irrationality and waste in transportation, processing, distribution, and pricing. Collectivized agriculture appears to have reached the limit of its ability to improve levels of food consumption in the country. As one chairman of an agricultural enterprise recently stated: "All of us who work on the land well understand that a continuation of the previous system very soon would mean that kolkhozes and sovkhozes not only would not feed the country, but they could not even feed themselves."[2]

Although food supply and levels of consumption are the aspects of Russia's agricultural problem that affect people's lives most directly, many economists consider the cost of production to be an even more serious problem. For decades, the Stalinist agricultural system featured obligatory deliveries and an irrational pricing system that often required farms to sell goods for less than their cost.[3] Over time, the cumulative effect of this system was massive state subsidies (exceeding an estimated 120 billion rubles in 1990), poor food quality, and chronic shortages.

Contemporary Russian agrarian reform seeks to improve the productivity and efficiency of the agricultural sector while at the same time cutting production costs and permitting the elimination of subsidies. In particular, a primary goal is to create a stratum of private peasant farmers, who, offered the possibility of becoming rich, will significantly increase food output, which will in turn benefit all of society.

Officials have expressed enthusiasm at the rate of

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[1]The headline for the December 4, 1991, edition of *Izvestiya* (Moscow), read: "The Government of Moscow Considers the Food Situation Catastrophic." For Yel'tsin's speech, see ibid., Oct. 28, 1991.

[2]"To Divide the Land Is Easy. It's Much More Difficult to Educate the Farmer," *Rossiyskaya Gazeta* (Moscow), May 5, 1992.

[3]When former Prime Minister Nikolay Ryzhkov delivered his "Ryzhkov Plan" for economic reform before the Third Session of the USSR Supreme Soviet in May 1990, he revealed that retail food costs were "two-three times lower than actual production costs." See "On the Economic Situation of the Country and the Concept of Transition to a Regulated Market Economy," *Sel'skaya Zhizn'* (Moscow), May 25, 1990.

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growth in the number of peasant farms, noting that already their numbers exceed expectations. On January 1, 1990, there were only 231 "independent" farms registered in Russia (and many of these were doubtless leased rather than owned). By January 1, 1991, the number had grown to over 4,400; as of December 1, 1991, there were over 34,700 peasant farms registered, and by late April 1992, the number of peasant farms was more than 100,000.[4] Estimates are that the number of farms will grow into the hundreds of thousands and may encompass 40 million hectares of land over the next three to four years.

Despite this impressive growth in the number of private peasant farms, those farms that do exist are years from being able to feed the nation; they often are—we shall see—little more than subsistence farms for urban dwellers seeking a reliable food source. Thus, we need to analyze very closely the patterns that are emerging in Russian peasant farming and to explore the economic and political obstacles to contemporary land reform.

Historical Parallels

In this context, it is useful to review briefly the agrarian reforms initiated by Tsarist minister Petr Stolypin in the early 20th century.[5] Just as the Stolypin reforms created a set of institutions to give peasants an incentive to leave the *mir* (village commune) and create a private farm, so today's reforms have created a new set of political and legal institutions that put an emphasis on land tenure outside the collective or state farm for the first time since 1928. Similar to the Stolypin reforms, the current reform measures assume that by giving peasants the opportunity to buy land and to use it as they wish to "enrich themselves," the state can motivate ambitious peasants to establish private farms and increase overall agricultural production.

The Stolypin reforms proper were preceded by a variety of legislative acts. A law in 1903 abolished the liability of the *mir* as a whole for taxes or redemption payments owed by individual members. A November 1905 decree canceled the balance of redemption payments (more than 1 billion rubles), thus doing "away with the fiscal reasons for the existence of the village commune." A decree promulgated in March 1906 addressed the problem of rural overpopulation in European Russia by opening up possibilities for the colonization of Asiatic Russia. In August 1906, Tsarist lands were transferred to the Peasants' Bank, to be sold at 80 percent of market value to peasants. In October 1906, the peasants' obligation to apply for a passport to travel outside the village was canceled. In November 1906, another decree allowed peasants to mortgage their holdings to the Peasant Bank in order to purchase the land of those peasants who left the village.[6]

The actual "Stolypin reforms" can be traced to a decree of November 9, 1906, which, among other things, gave any member of a *mir* the right at any time to lay claim to (or appropriate) his share of communal land, for which he would receive title-deed of ownership. He could then have it consolidated and enclosed by a local district land-settlement commission, with the expense of surveying to be borne by the state. Although the reforms were not codified until the "Law of May 29th, 1911," they were in effect operative for years prior to passage of that legislation.[7]

Between November 9, 1906, and January 1, 1915, some 2.7 million peasant households applied for appropriation, and 1.97 received deeds. These cases involved 22 percent of the members of village communes and almost 14 percent of commune lands. By the end of 1916, almost 11 percent of peasant families in European Russia had enclosed their holdings (totaling more than 9 percent of peasant land) and had become economically independent of the commune.[8]

The state's underlying strategy was to bet that "the strong" would leave the *mir*, with its egalitarian and inefficient land distribution system, and strike out on their own to create a system of productive farms on which the state could depend to feed its growing cities.[9] Although the reforms were not in place long enough to fully transform the Russian countryside (Stolypin was assassinated in 1911), the period 1906–13 witnessed the highest average annual grain production in Russian history up to that time.[10] At least part of this surge was attributable to private peasant farming. As one observer concluded:

[4]*Izvestiya*, Apr. 27, 1992. Despite the rapid growth in numbers, peasant farms engage an insignificant percentage of the population. Given an average family size of just over 3 persons in Russia, one can estimate that some 300,000 people resided on a private farm in April 1992—or roughly 1 percent of the rural population of Russia, based on 1989 census data. See *Vestnik Statistiki* (Moscow), March 1990, p. 74. The percentage of land used for peasant farms in Russia comprised less than 1 percent of total agricultural lands as of late 1991.

[5]For an earlier analysis of the parallels between the reforms of Mikhail Gorbachev and Stolypin, see David A. J. Macey, "Gorbachev and Stolypin: Soviet Agrarian Reform in Historical Perspective," in William Moskoff, Ed., *Perestroika in the Countryside: Agricultural Reform in the Gorbachev Era*, Armonk, NY, M. E. Sharpe, 1990, pp. 3–18.

[6]On these points, see George Pavlovsky, *Agricultural Russia on the Eve of the Revolution*, New York, Howard Fertig, 1968, pp. 121–23, and 128–29; and Teodor Shanin, *Russia, 1905–07: Revolution as a Moment of Truth*, New York, Macmillan, 1986, p. 239.

[7]See Pavlovsky, op. cit., pp. 123–33; and David A. J. Macey, *Government and Peasant in Russia: The Prehistory of the Stolypin Reforms*, DeKalb, IL, Northern Illinois University Press, 1987, pp. 213–38.

[8]Pavlovsky, op. cit., pp. 133, 135.

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Considering that these results have been achieved in the course of a single decade, of which the last quarter passed under war-time conditions, seriously hindering and restricting movement, they cannot fail to impress the student as striking. Indeed, in themselves they are proof of the fact that, at the time of the inauguration of the agrarian reforms by Stolypin, the Russian countryside was already ripe for individualization and only awaited the opportunity of breaking away from the bonds imposed by communal tenure and the open-field system.[11]

The question is, will the current "bet on the strong" have the same positive impact on rural production, not to mention create a similar social transformation?[12]

Legislative Framework

The original reform scheme adopted by the Communist Party of the Soviet Union in March 1989 envisaged that private endeavor would operate through the mechanism of short- or long-term leasing of land from the collectivized sector.[13] However, subsequent provisions allowing for "ownership" of the land have proved much more popular with would-be farmers. "Ownership" of land may be defined two ways: first, as lifetime leasing with the right of inheritance (*vladeniye*), and second, as outright ownership (*sobstvennost'*). By the end of 1991, about 57 percent of peasant farms in Russia were held in *vladeniye*, and another 25 percent were owned outright.[14] The analysis here will concentrate on *sobstvennost'* rather than *vladeniye*.

A considerable amount of legislation on private landholding has been passed over the last two years. A draft law on peasant farming was published in the summer of 1990.[15] At the end of 1990, the RSFSR parliament adopted a number of agrarian reform measures. On November 22, it passed the law "On Peasant Farms," legalizing private peasant farms and the hiring of labor by such farmers. The next day, a law "On Land Reform" ended the state monopoly on land and allowed for the transfer of land to individuals; an amended version was adopted on December 27, 1990.[16] Also in December, a law "On a Program for the Revival of the Russian Countryside and Development of the Agro-Industrial Complex" allowed for individual purchase of land and the operation of private farms,[17] and a law "On the Social Development of the Countryside" guaranteed that "all forms of farming have the equal right to organize production."[18]

In December 1991, a second flurry of legislative activity attempted to accelerate land reform in Russia. President Yel'tsin signed two decrees: "On the Acceleration of Privatization" and "On Urgent Measures for the Realization of Land Reform in the RSFSR."[19] And the Russian government passed two resolutions: "On the Order of Reorganizing Kolkhozes and Sovkhozes" and "On the Reformation of the System of State Management of the Agro-Industrial Complex of the Russian Federation."[20] The "Urgent Measures" decree was

[9]Peasant migrations to urban areas increased dramatically between 1906 and 1910. In that period, the average annual rural-to-urban migration (based on the number of passports issued) in European Russia was more than 8.7 million (2.5 million more per year than in 1891–1900 and 7.5 million more per year than in 1861–70). The peasant migrants, called *otkhodniki*, seldom severed ties with the village. Males would typically spend most of the year working in an urban locale, often as an unskilled laborer in a factory, but would return home for planting and harvesting; their urban income went to pay redemption payments. See Jeffrey Burds, "The Social Control of Peasant Labor in Russia: The Response of Village Communities to Labor Migration in the Central Industrial Region, 1861–1905," in Esther Kingston-Mann and Timothy Mixter, Eds., *Peasant Economy, Culture, and Politics of European Russia, 1800–1921*, Princeton, NJ, Princeton University Press, 1991, pp. 56–57.

[10]Stephen G. Wheatcroft, "Crises and the Condition of the Peasantry in Late Imperial Russia," in ibid., p. 135.

[11]Pavlovsky, op. cit., p. 135. When the Stolypin reforms ended remains an open question. George Yaney points out that the reform "ended" many times. The "last paper termination" came in August 1917, when the Provisional Government ordered a halt to land settlements. Prior to that, in May 1917, land-settlement commissions had been abolished. But in real terms, Yaney argues that World War I, not governmental decrees, ended the reform, as large numbers of agricultural specialists and men working in the reform organization were mobilized for war. See Yaney, *The Urge to Mobilize: Agrarian Reform in Russia, 1861–1930*, Urbana, IL, University of Illinois Press, 1982, p. 398.

[12]One should not overlook the political dimension of the Stolypin reforms, inasmuch as they were designed to break up the peasant communes and create a strong rural middle class to help stabilize the countryside.

[13]See Gorbachev's speech to the CPSU Central Committee on Mar. 15, 1989, in *Izvestiya*, Mar. 16, 1989. Translation of the pertinent passages appears in *Current Digest of the Soviet Press* (Columbus, OH), Apr. 18, 1989, pp. 10–11.

[14]"Farming Through the Prism of Figures," *Krest'yanskaya Rossiya* (Moscow), Jan. 25, 1992.

[15]"On the Peasant Farm (Draft)," *Ekonomika i Zhizn'* (Moscow), No. 28, July 1990, p. 15–17.

[16]For the final versions of these two laws, see *Kak poluchit' zemlyu: sbornik normativnykh aktov i obraztsov dokumentov* (How to Obtain Land: Handbook of Normative Acts and Sample Documents), Nizhniy Novgorod, np, 1991. I thank Clifford Gaddy for bringing this handbook to my attention.

For an extremely detailed presentation of reform as it covers all aspects of land use, not just agriculture, see "Land Code of the RSFSR," *Krest'yanskiye Vedomosti* (Moscow), No. 16, May 21, 1991. For a general discussion of land reform at a local level, see "On Land Reform (Draft)," *Severnaya Pravda* (Kostroma), Nov. 15, 1990.

[17]*Severnaya Pravda*, Jan. 9, 1991. The law pledged that at least 15 percent of the RSFSR's national income would be devoted to developing the social infrastructure of the countryside.

[18]*Ekonomika i Zhizn'*, No. 4, January 1991, p. 19.

[19]See *Rossiyskaya Gazeta*, Dec. 31, 1991.

[20]*Zemlya i Lyudi* (Moscow), No. 2, January 1992, pp. 1, 3, and 2, respectively.

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clearly intended to facilitate the development of private farms by assigning specific responsibility for implementing measures allowing workers to leave the kolkhoz or sovkhoz and to take land with them.[21] It also instructed state and collective farms to re-register during 1992 for the purpose of breaking up unprofitable socialized farms into private farms,[22] and it provided for the sale of land under certain conditions.[23]

The decree reorganizing state and collective farms was aimed primarily at eliminating unprofitable ones.[24] Farms in the state and collective sectors that were unable to pay off their debts and meet their payrolls were to be declared bankrupt by February 1, 1992, and to be liquidated and reorganized during the first quarter of 1992. Optimally, a profitable enterprise would take over the bankrupt farm, but if not, debts were to be settled by selling the farm's assets at auction.[25] Although it focused on problems of farm insolvency, the decree also instructed all farms, by January 1, 1993, to reorganize themselves and form "local committees on land privatization" that were to be located within "every sovkhoz and kolkhoz" (Point 3). The decree reiterated that persons leaving had the right to receive a share of farm land, and it repeated the stipulation that the land may come from the social sphere (Point 9).

The reorganization decree, though clearly the most far-reaching and radical to be passed since land reform began in 1988, does not mean Yel'tsin is abandoning collectivized farming. As the President explained on television:

I keep on saying that the reorganization of collective and state farms does not mean they are going to be disbanded. . . . If collective and state farms are in good condition and work for a profit, let them go on doing so. But we do have 2,600 loss-making farms. A decision has to be taken on their future during the first quarter. This land should be given to peasants or anyone else who wants to work the soil. There will be no further subsidies.[26]

While giving those who want to leave the socialized farming sector the opportunity to do so more easily, the legislation in no way prevents state and collective farms from reorganizing into newly constituted "enterprises" or labor collectives and continuing to operate largely as before.

In any case, a new basis for private farming has been laid through the codification of a number of important rights and protections for private farmers.[27] The law "On Property in the RSFSR" explicitly legalized private property.[28] Private farms have been granted equal standing with other types of farming. Interference in the activities of private farms by state or cooperative organs is prohibited and, under provisions of the decree "On Urgent Measures," is punishable with fines amounting to up to three months' salary. Private farms have the right to define independently what kinds of agricultural activities they will undertake and the structure and size of their production, to hire labor, and to engage in commercial transactions with enterprises and associations.

The law "On Peasant Farms" stipulates that "every able-bodied citizen" who possesses "specialized agricultural knowledge or past specialized training" has the right to organize a peasant farm. In the case of multiple claims to land, preference is to be given to citizens who have lived in the given locality.[29] The RSFSR Land

[21]Already in March 1991, farm directors had been directed to ensure that peasants be alowed to leave the farm expeditiously and without hindrance. See *Sel'skaya Zhizn'*, Mar. 20, 1991. Repetition of this provision in December 1991 was a clear sign that opposition by farm directors to peasant departures was a serious problem.

[22]When I asked economists at a profitable state farm outside Kostroma city last winter what re-registration would mean for their farm, they shrugged it off and said it was primarily for tax purposes. However, the key here is that for profitable farms, re-registration can indeed be nothing more than a nuisance. For unprofitable farms, it is their death sentence.

In October 1991, Yel'tsin signed a law that established rates of taxation per hectare of arable land for the various oblasts in Russia. The tax is to reflect the composition of arable land, its quality, the area, and its location. See "On Paying for the Land," *Krest'yanskiye Vedomosti*, No. 39, Oct. 29, 1991, insert, pp. 1–8.

[23]A number of situations are envisioned in the December 1991 decree under which the sale of land is permitted, including the sale of land to other agricultural workers or farms at free (market) prices. However, it seems that land sales will still need to receive approval from the Russian parliament before becoming legal. Information based on an interview with Aleksandr Meyendorff, a former agricultural economist at the All-Union Lenin Academy of Agricultural Science (VASKhNIL) in Moscow, Jan. 12, 1992.

The Sixth Congress of People's Deputies of the Russian Federation, in April 1992, again rejected the free sale and purchase of land, requiring peasants to hold a plot for 10 years before being able to sell it. See "The Peasant Still Is Not an Owner and Can Be Commanded," *Izvestiya*, Apr. 17, 1992; and "The Name of Russia Is Legalized, But Land Was Still Not Given to Its Citizens," ibid., Apr. 18, 1992.

[24]The Russian Ministry of Agriculture was to draw up a list of enterprises that would not be affected by the reorganization resolution. That list was not available to me at the time this article was written, but subsequent comments by government officials indicated that the reorganization would not affect farms if they were profitable.

[25]Participation in the auction is "mainly for workers of the farm." Whatever remains after the auction will be sold at an open auction for "all those who wish to undertake agricultural activities on the territory of the former farm."

[26]Moscow television, Jan. 23, 1992, translated in Foreign Broadcast Information Service, *Daily Report: Central Eurasia* (Washington, DC—hereafter, *FBIS-SOV*), Jan. 24, 1992, p. 50.

[27]For a summary list of the rights of citizens conducting peasant farming, see *Kak poluchit zemlyu. . . .*, pp. 12–13.

[28]See *Ekonomika i Zhizn'*, No. 3, January 1991, p. 13.

[29]The draft law included language (dropped in the final version) that indicated that preference would be given to families with many children.

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Code adds that any citizen at least 18 years old who has experience in agriculture and the corresponding skills, or who had past specialized training may receive land. The code gives members of kolkhozes and workers in sovkhozes and other agricultural enterprises the right to leave and become peasant farmers (with the approval of the rayon [county] soviet of people's deputies) and to take with them an assigned amount of land from the farm or enterprise. In March 1992, the government went further and adopted a resolution stating that an individual no longer requires permission to leave a farm,[30] and the resolution on reorganization of the state and collective farms says that a farmer can leave at will (however, land assignments still must come from the rayon soviet).

Who Distributes the Land?

Authority over the distribution of land is exceedingly diffuse and often ends up in the hands of those with the least interest in seeing privatization succeed. The December 1990 law "On Peasant Farms" created an RSFSR State Committee for Land Reform and a hierarchy of land reform committees in oblasts, krays, rayons, and towns. The committees were empowered to survey the land and make recommendations; actual decisions to allocate land were to be made by rayon soviets of people's deputies, i.e., the elected county-level governments, which tend to be dominated by supporters of the old system. In one rayon, the decisions were made by a nine-person "presidium" (*malyy sovet*) of the rayon soviet, which included six chairmen of sovkhozes or kolkhozes and a chairman of the rayon agricultural-industrial organization.[31] The land reform committees remained dependent upon those they were supposed to monitor for matters as elementary as transportation,[32] and local officials often sabotaged the process of distributing land by requiring additional paperwork.

The decrees of December 1991 attempted to impose greater central control over the distribution process in order to counteract local efforts to thwart land distribution. But in doing so, they may have only added complicating new layers of authority. At the highest level, the RSFSR Ministry of Agriculture was made responsible for "the conduct of agrarian reform"; and below this ministry, there were to be departments in krays, oblasts, and autonomous regions. Below these there were to be rayon-level branches of agricultural management. At the lowest level, there were to be city food committees in Moscow and St. Petersburg.[33]

The decree "On Urgent Measures" indicates that both the Ministry of Agriculture and the Control Directorate of the Administration of the President of the Russian Federation were to be responsible for fulfillment of Yel'tsin's December 1991 decrees, and that they were to report monthly on their progress. Below the Ministry of Agriculture, organs of executive power in krays, oblasts, and autonomous regions were to establish norms for the size of land plots to be given to farmers who leave collective or state farms, and to do so before February 1, 1992. Rayon executive organs, along with land reform committees, are then to establish average norms for free land to be given to farmers, based on land quality. Local organs of power then are to monitor (*kontrolirovat'*) the process that gives kolkhoz and sovkhoz workers the right to leave the farm in order to establish their own farms. These local organs are to ensure that exit occurs "without hindrance." Committees on land reform and on land resources of the Ministry of Agriculture are to "systematically" prepare catalogs of land available for redistribution and to publicize them so as to show prospective farmers what land is available. The decree orders farm directors to assign land to people who want to leave the farm within one month of their application. The land plot is to be defined and assigned by local officials according to the process contained in existing legislation. Implementation still largely rests on the shoulders of local officials, as the decree stipulates that "local administrations are to ensure the delivery [of land] to citizens." Finally, the decree instructs local organs of executive power to implement these provisions or face fines as established in the land code.

The resolution on farm reorganization establishes a somewhat different mechanism. It sets up commissions at the rayon level and within each farm to oversee reorganization of the farms and to ensure equitable land distribution. These commissions are to include representatives of local organs of power, farm managers, worker collectives, rayon-level agricultural management, land reform committees, and creditors. They

[30]"On the Course and Development of Agrarian Reform in the Russian Federation," *Krest'yanskiye Vedomosti*, No. 14, Mar. 31–Apr. 6, 1992, p. 6.

[31]*Rossiyskaya Gazeta*, Jan. 25, 1992.

[32]According to an account from Kursk Oblast, "committees on land reform in the oblast exist only in name. . . . In Kursk rayon, for example, an area of 1.7 thousand square kilometers with 192 villages and 28 collective and state farms, the land committee does not have any kind of transportation." Ibid.

In March 1991, the RSFSR Supreme Soviet and Council of Ministers instructed the State Committee and local soviets of people's deputies to complete the creation of rayon and town committees for land reform, to adopt expedient measures for ensuring that the committees have skilled people, and to assign them the necessary means to do their job. See "On Additional Measures for Accelerating Land Reform in the RSFSR," *Sel'skaya Zhizn'*, Mar. 20, 1991.

[33]See the decree on reform of the agro-industrial complex.

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are to serve as "liquidation commissions" for unprofitable farms. The commissions are to assign to the farm director or manager "personal responsibility for fulfillment of the resolution."

The impact of these new laws and new administrative bodies on the course of land reform remains to be seen. It is not at all clear what the relationship will be between the new commissions and the previously existing land reform committees and other local bodies. It is not clear why Yel'tsin did not simply strengthen the land reform committees rather than create new bodies. If, as it appears, he hoped to concentrate more power in the hands of his personally selected regional administrators, there is no guarantee that this course of action will bring success.[34]

Further, it is not clear how ministerial support for reform is to be ensured. Most Western analysts agree that ministries have sabotaged past economic reforms, which would have diminished their power.[35] The appointment of Vice President Aleksandr Rutskoy as minister of agriculture in mid-February 1992 may well impede reform, because his idea of how reform should proceed differs considerably from Yel'tsin's plan.[36] Given the conflicts between the old laws passed by the Russian parliament and the new provisions issued by Yel'tsin, bureaucrats and local officials are bound to be confused. And when in doubt, bureaucrats do things the way thay have always done them.

Obtaining Land

There are two issues in the practical application of the new legislation. The first is the sort of land made available to would-be private farmers. The second is the actual procedures governing the disbursal of lands to applicants. Government policy with regard to both issues has changed rather rapidly in the last two years.

What kind of land is being made available? The laws regulating the land available for peasant farming have undergone a very interesting evolution. At first, only unwanted or unused properties were to be included in the land fund made available to those wishing to lease land or obtain ownership of land. According to the December 1990 law on peasant farming, rayon or city soviets of people's deputies were to create for distribution to peasants funds of lands from holdings of kolkhozes, sovkhozes, and other land-using enterprises in the following categories—agricultural land that had fallen or been converted into less valuable usage; land of all categories that was not used for a special purpose; agricultural land that had not been used for one year, or land that had a non-agricultural purpose and had not been used for two years; land of agricultural enterprises whose productivity for the last five years was no greater than 80 percent of the norms for similar land; and land that had not been purchased and was still in the possession of the fund. In January 1991, Gorbachev issued a decree calling for an all-Union inventory of "irrationally used land in kolkhozes, sovkhozes, forestries, and other land users, including land given to ministries and departments of the USSR," and specifying that some 3–5 million hectares of such land were to be assigned for use in peasant farms (*krest'yanskoye khozyaystvo*), private plots (*lichnoye podsobnoye khozyaystvo*), collective gardens (*sadovodstvo*), and other agricultural uses.[37]

A more liberal approach was introduced in a March 1991 resolution passed by the Presidium of the RSFSR Supreme Soviet and Council of Ministers and signed by by Yel'tsin. This resolution gave executive committees and presidia of local soviets of people's deputies the right to withdraw up to 10 percent of a state or collective farm's land and give it to citizens for cooperative farming, private peasant farming, or the operation of private plots or collective gardens, without prior approval of the local soviet of people's deputies.[38] Finally, the December 1991 decrees stipulated the right of farmers to leave the state or collective farms and to take with them any farm land they wished.

More important than definitions of the land available for acquisition, of course, was the actual process and the power granted to or retained by persons who might have an interest in impeding the process. Procedures vary, depending on whether the applicant for land is currently a member of a state or collective farm or is a non-farm applicant.

Land for people wishing to leave a sovkhoz or kolkhoz. The prescribed procedures for farm members seeking to set up a private farm have evolved rapidly

[34]On this point, see *Rossiyskaya Gazeta*, Jan. 17, 1992. Immediately following the August 1991 coup attempt, Yel'tsin appointed people to many oblasts to supersede the elected bodies and run the oblast. The purpose was to put a pro-reform individual in each area to break the resistance of conservative leaders. For a partial listing of these administrators, see *Izvestiya*, Aug. 26, 1991.

[35]See, for example, Ed A. Hewett, *Reforming the Soviet Economy: Equality versus Efficiency*, Washington, DC, Brookings Institution, 1988, esp. Chap. 5.

[36]For a description of Rutskoy's ideas on land reform, see "Why Rutskoy's Agrarian Program Scares Agrarian Deputies," *Izvestiya*, Apr. 20, 1992.

[37]"On Priority Measures . . . ."

[38]"On Additional Measures . . . ."

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over the last several years. The draft law on peasant farming published in July 1990 stated that a member of a collective farm, or worker on a state farm who wished to leave the farm and to create an independent farm, needed to announce his intention to the chairman of the kolkhoz or director of the sovkhoz. In the announcement of his intention to leave, the private farmer-to-be was to indicate the size of the area he wished to receive, as well as the value (*stoimost'*) of the property. A general meeting of the kolkhoz was to consider the request and make a decision within a month. If agreement was forthcoming, the decision was to be transmitted to the rural soviet of people's deputies, and if this body concurred, the matter was to be sent to the rayon soviet of people's deputies for the formal withdrawal of the agreed-upon plot of land from the farm and the organization of a private farm. If there was disagreement between the farmer who filed the petition on the one side and the farm and the rural soviet on the other, it was to be resolved by the rayon soviet of people's deputies. The kolkhoz member or sovkhoz worker could further appeal the decision in court. Once granted, the land was legally registered as to quantity, value, and ownership.

The draft law on peasant farms specified that the quality of the land be at least comparable to the average for the farm; if this was not the case, the private farm was freed from the land tax for the first five years, and might receive deductions in payment of income taxes. However, this concession was generalized to all peasant farms, regardless of land quality in the final version of the law on peasant farms, which took effect on January 1, 1991.[39] The law stated that a member of a collective or state farm had the right to leave the farm and create a peasant farm *without* the agreement of the worker collective or enterprise administration. The rayon or city soviet of people's deputies, however, retained final say in land assignment. The size of the plot was to be determined by the value of the shares the member owned.[40] A person granted a land plot could increase the size by either leasing or purchasing additional land. The owner of land was given the right to pass it on to his heirs.

This version of the law required the person wishing to leave the state or collective farm to list the value of the shares he owned, the suggested area of the land sought, its location, and the type of activities he would conduct on the land. The farm or agricultural enterprise was supposed to review the application within a month.[41] The head of the farm or enterprise, together with the rural soviet, was to send this information to the rayon soviet of people's deputies, which was to make a decision within a month. Failure of the farm director to abide by this process within the specified time frame could result in a fine of 1,000 to 3,000 rubles. If the farm or enterprise refused to assign the specific land plot indicated in the application to the person wishing to leave the farm, the rayon or city soviet of people's deputies had the right to determine independently the location of the land plot.

The December 1991 Yel'tsin decrees further streamlined the process for obtaining land. The resolution on the reorganization of farms states that "All members of kolkhozes and workers in sovkhozes, including those on a pension, have the right to free land." The decree "On Urgent Measures" simply states that "leaders of farms will assign land to workers and to members of his family within one month of the time of receiving the announcement [of his desire] to establish a [private] farm." The decree then states that the delineation of land plots and their assignment will be carried out by local administrations according to existing laws. The fine on farm directors for failure to assign land within the specified one-month period was raised to three months' salary.[42]

Land for non-farm citizens. For citizens who are neither members of kolkhozes nor workers at agricultural enterprises but who want to become private farmers, the process for obtaining land is somewhat different. They receive land from a special land fund, which, according to Article 38 of the law "On Land," comprises "all land not assigned ownership rights or in constant use."[43] Citizens may relocate to other regions in order to receive land plots.

A non-farmer seeking land submits an application to the local soviet of people's deputies, in which he indicates the intended use of the land, a suggested size, its location, the number of able-bodied people in his family, and—in the case of leasing—the length of the term he intends to use the land. On the instruction of the local soviet, the local committee for land reform prepares, within two months, the necessary materials and submits them to the local soviet for confirmation. The decision (or an extract of same) is then given to the citizen

[39] *Ekonomika i Zhizn'*, No. 4, January 1991, p. 19.

[40] Members of farms were to be given shares according to the length of service on the farm and the work done. See *Kak poluchit' zemlyu*, p. 11.

[41] According to the decree "On Additional Measures . . . ," signed by Yeltsin in March 1991, the term was shortened to a week.

[42] There is evidence that such fines are actually being assessed, albeit in still-modest numbers. As of April 1, 1992, across the territory of the Russian Federation 79 fines, totalling 154,000 rubles had been assessed for procrastination in assigning land, and 336 fines totalling more than 5.2 million rubles had been assessed for violations of the land code. See *Informatsiya o khode zemnoy reformy na 01.04.92 g.* (Information On the Progress of the Agrarian Reform as of April 1, 1992), Moscow, Committee on Land Reform and Land Resources of the Russian Federation, 1992, p. 6.

[43] See RSFSR Land Code and the law "On Land," *Pravda*, Mar. 7, 1990.

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within seven days from the time the soviet receives the paperwork. If the land is transferred to the individual gratis, the decision of the local soviet of people's deputies serves as the basis for assigning the land and for issuing documents certifying the right of ownership of the land.[44]

In all cases, whether or not the private farmer-to-be is a member of a state or collective farm, his farm is registered with the rayon or city soviet of people's deputies. After this registration, the peasant farm obtains the status of a legal entity and receives a registration card indicating ownership.

For private farms, land is allotted for ownership without payment, up to certain established norms. Additional land—up to limits set by the respective autonomous region, kray, or oblast—may be purchased or leased.[45] Prices for land plots to be purchased were to be established by the Russian Ministry of Agriculture and Ministry of Economics and Finances by February 1, 1992. Land for operating a private plot or for gardening or animal husbandry is also granted free of charge up to the prescribed norms established by the rayon, village, or city soviet of people's deputies. Papers documenting such ownership rights are to be delivered during 1992 to those who have received such land.[46]

Yel'tsin's decree "On Urgent Measures" expanded the legislation passed by the Russian parliament in December 1990. Those who left a collective or state farm were given the right to trade their land and property shares, and also to arrange to lease their shares. More significant, owners of plots of land were given the right to sell their land under certain conditions, and workers in agricultural enterprises who had land shares could sell them to other workers on the farm or to the farm itself, at unregulated prices.

There has been an evolution in legislation concerning the quantity of land to be allotted to private farmers. The RSFR Land Code states that the size of the land area assigned to private peasant farms is determined on a case-by-case basis, taking into account the composition of the peasant family and observing limits on the sizes of land plots for peasant farms defined by the soviets of people's deputies in krays, oblasts, autonomous oblasts, and autonomous districts (*okrugy*). Yel'tsin's December 1991 decree "On Urgent Measures," however, stated that the Russian Council of Ministers and organs of executive power in krays, oblasts and autonomous regions were to establish, by February 1, 1992, limits on the size of plots to be distributed. It also specified that the size of the land plot would depend on the farmer's "specialization, the number of workers, the quality of the land, and other factors." Rayon organs were to establish average norms for free land based on the quality of land.[47]

Economic Obstacles

A number of economic obstacles have hindered the development of private farms. First, there is the problem of start-up costs. A study by VASKhNIL in 1989 estimated the cost of a 10-hectare farm with 10 cows at 85,000 rubles, and a 50-hectare farm at 300,000 rubles. But those prices are completely outdated because since January 1991, firms selling machinery and equipment have more freedom to set their own prices and, as a consequence, prices have skyrocketed for agricultural consumers of machinery, building materials, fertilizers, and equipment, putting them out of reach for most private farmers. For example, a K–701 tractor, whose old price was R20,600, cost more than R57,000 in early 1991; the price of a K–70B tractor soared from R4,850 to R17,000; and a Don–1500 combine, from R39,000 to R68,370.[48] Start-up and equipment costs have risen even higher following price liberalization on January 2, 1992. For example, the head administrator of Ponazyrevskyy Rayon in Kostroma Oblast noted that "not that long ago in order to equip a farm it took 300,000 rubles. And now, according to our modest estimates, it requires no less than half a million."[49] Reportedly, peasant farmers in the oblast were granted on average only 40,000 rubles in bank credits per farm.[50]

It is evident that state investments currently are woefully inadequate to put private farming on an adequate financial basis. During 1991, the Russian government allocated 1 billion rubles for the creation of peasant farms, a sum to be administered by the Association of Peasant Farms and Agricultural Cooperatives in Russia (AKKOR). A member of VASKhNIL, V. Dobrynin, calculated that it would cost 120–150 billion rubles to organize and equip 400,000 to 500,000 peasant farms in

[44]See the law "On the Peasant Farm" and the RSFSR Land Code.

[45]See "On Land Reform," *Kak poluchit' zemlyu*, p. 4.

[46]"On Additional Measures . . . ." The author has seen references to but no details on the pricing of land plots for sale.

[47]These steps have apparently been taken, but it is too early to know the size of the new norms or how they differed from the old.

[48]*Sel'skaya Zhizn'*, May 17, 1991. Ibid., Mar. 26, 1991, notes that the price of a farm house had risen from R40,000 to R140,000.

[49]"The Decree Is Perceived with Anxiety," *Kostromskoy Kray* (Kostroma), Jan. 15, 1992.

[50]"A Year of Reform. What Are the Results?" ibid., Jan. 17, 1992.

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Russia, not to mention a similar sum to construct an adequate rural social infrastructure.[51] By this estimate, the 1991 budget allocation would be able to equip only 3,300 farms. Moreover, it is now clear that not all the money allocated to support private farms was actually used to establish such farms. In September 1991, the president of AKKOR, V. Bashmachnikov, revealed that his organization had received only 650 million rubles. Of that sum, about one-fifth was used to pay farmers who moved to another locale. More than half is still in the bank in the form of unused credits. AKKOR has had to intervene by offering financial guarantees so that farmers could borrow up to 100,000 rubles. Collective or state farms often refuse to guarantee loans to peasant farmers, claiming the risk is too great.[52]

In October 1991, Yel'tsin announced a number of measures his government planned to implement in 1992 to further facilitate the growth of private farms. These included allocating 24,000 tractors, 22,000 gas automobiles, and more than 6 billion rubles in budgetary resources to promote peasant farming.[53] However, even this level of funding seems inadequate to the task.

A second issue is the degree to which private farmers have independent access to market channels. The ability to turn a profit hinges in large measure on the prices a farmer receives for his produce. The law states that peasant farmers have the right to dispose of their produce in a number of ways. Farmers may conclude a contract with procurement organizations, sell their produce on the kolkhoz market, or sell it through the state and cooperative trade network.[54] Although market prices are obviously the most attractive option, almost two-thirds of private farms surveyed in Russia sell their output to state or collective farms, and only 14 percent sell their produce on the market.[55]

Various reasons account for this dependence on the state and cooperative sector. Given that private farms overwhelmingly rely on family labor, and given the small size of the average peasant family, the farm simply may not have the ability to spare someone from production to go to the time-consuming effort of transporting and selling the farm's produce. Then, too, private farmers often lack adequate means for transporting output to the market. The state or collective farm will naturally want a share in the proceeds for transporting and distributing the produce—a common "middleman" transaction in market economies.

Private farming is also hampered by poor access to equipment, machinery, fuel, and other production inputs, not to mention the high price of these goods. Three-fourths of private farmers surveyed in Russia said difficulty in obtaining these commodities constituted the primary obstacle to the development of their farm.[56] In general conditions of short supply,[57] the private farmers find themselves at a disadvantage in competing for scarce resources with state and collective farms.[58]

A fourth obstacle relates to the frequently remote location of the land acquired by the private farmer and the nonavailabity of essential amenities. One author, in analyzing why few people are willing to become private farmers, wrote:

. . . there is one reason: there is not any kind of infrastructure in the countryside in these regions: no roads, no decent trade, no medical services. In a word, there is nothing there not only for a normal life, but simply for the existence of a person.[59]

In Kostroma Oblast, only 9 percent of private farms have telephones; 15 percent are located within one kilometer of a telephone; 27 percent, between two and three kilometers; and 49 percent, four or more more kilometers from a telephone. Moreover, more than 75 percent of peasant farms in Kostroma are dependent on well or pond water, and less than 40 percent have natural-gas service on their farms.[60]

Fifth, whereas previous legislation had excluded peasant farmers from the food tax or compulsory state orders, a new decree signed by Yel'tsin in early January 1992 requires that "not more than 25 percent" of

[51]"Development of Agriculture in Conditions of a Market Economy," *APK: Ekonomika, Upravleniye* (Moscow), March 1991, p. 6.

[52]"To Sell the Land Prematurely," *Sel'skaya Zhizn'*, Sept. 24, 1991.

[53]"Speech of Boris Yel'tsin," *Izvestiya*, Oct. 28, 1991.

[54]"On the Peasant Farm." *Kak poluchi' zemlyu*, p. 16.

[55]See "The Farmer in Russia," *Ekonomika i Zhizn'*, No. 16, April 1991, p. 10. This trend was confirmed by the author's interviews in Kostroma.

[56]Ibid. In Kostroma as of January 1992, among 257 peasant farmers there were 195 tractors, 147 gas automobiles, 189 plows, and 6 grain combines. "A Year of Reform. What Are the Results?"

[57]In 1991, the delivery of tractors to the agricultural sector was down from the levels in 1990, a year in which there was a shortfall of 14,000 automobiles and 36,000 tractors. See *Sel'skaya Zhizn'*, Mar. 26, 1991.

[58]A fascinating article by a kolkhoz chairman in the Bashkir Republic highlighted the contradictions inherent in the situation. He argued that many kolkhozes and sovkhozes themselves show poor results because of lack of inputs. Distribution of land to peasants without adequate inputs will likewise yield "negative results," and peasants are heavily dependent on kolkhozes and sovkhozes to receive or purchase the needed inputs. If more inputs become available, will the socialist-sector farms pass them on or retain them to improve their own results? See "And the Farmer Needs the Kolkhoz," *Sel'skaya Zhizn'*, Apr. 1, 1991.

[59]"Where Is the Peasant Suppressed?" *Ekonomika i Zhizn'*, No. 40, October 1991, p. 15.

[60]Kostromskoye oblastnoye upravleniye statistiki, *Razvitiye krest'yanskikh khozyaystv oblasti* (Development of the Oblast's Peasant Farms), Kostroma, RSFSR Goskomstat, 1991, p. 2.

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certain products produced by peasant farmers be delivered to the state to help supply the state food fund in 1992. These deliveries are compensated at market prices prevailing in the region where the purchase takes place, but the precise mechanisms for delivery are not clear and may conceal processes whereby peasant farmers get less than full market value for their efforts.[61]

Last are questions regarding the ability of the peasant family to operate their farm. The social composition of the Russian countryside is hardly conducive to the development of private farms. The average size of a kolkhoz member's family in Russia is just 3.2 persons. Men aged 16–54 constitute less than 30 percent of kolkhoznik families; children under 11 years of age, 24 percent; and women over 55 and men over 60, another 13 percent. Women constitute 40 percent of kolkhoz laborers in Russia.[62]

Kostroma Oblast is representative of these demographic trends. On the 257 peasant farms in existence in January 1992, there were only 548 people, an average of just over 2 persons,[63] for an average farm size of 41 hectares.[64] In general, the rural population has been declining, by 18 percent between 1985 and 1990, and the population on the oblast's 200 collective farms fell from 33,200 to 28,200 over the same period.[65] Of rural dwellers, 49 percent are considered capable of labor, while 23 percent are younger than 15 and 28 percent are older than 60 (for men) or 55 (for women). The largest single category of rural residents by age is 60 and older (24 percent); people aged 20–39 comprise only 27 percent of the rural population.[66]

Trends in Peasant Farm Development

At first, the pattern of development of private farming in present-day Russia contrasted with the results of the Stolypin reform. Under the Stolypin reforms, the greatest concentrations of private farms occurred in the steppe, the black-earth (BE) areas with fertile and productive land. Most of European Russia, comprising non–black-earth (NBE) lands, had far fewer private farms up to 1916.[67] At the outset of the current reform, it was precisely in the less productive lands of Russia where private farms tended to be formed. However, more recently, developments have begun to conform to the results of the Stolypin reforms (see Tables 1–3).[68]

As of January 1991, farms outside the BE region (as defined by me) accounted for 75.3 percent of the total peasant farms, with 74.4 percent of total peasant farm acreage. By January 1992, these figures had fallen to 61.9 and 63 percent respectively. Why were such a high percentage of private farms initially established where land is relatively poor, where production costs are higher, and where the potential for profit is lower?

A key reason is official resistance. Before and after Yel'tsin's recent decrees, it has been farm chairmen and local soviets of people's deputies—the ones who have the most to lose—who have been the key actors in land reform. Yel'tsin himself noted that "in places, there is simply non-acceptance of smallholders, on the whole an outright non-acceptance."[69] (One can only assume that the greatest resistance came from officials in the most productive and fertile regions.)

Moreover, even the former USSR Congress of People's Deputies, a body likely to have been more liberal than local bodies, showed significant conservatism on land reform. In a survey of 676 deputies, leasing was the most popular form of farming (38 percent), followed by collective contracts (27 percent), and last, private

[61]"On Formation of State Food Funds for 1992," *Zemlya i Lyudi,* No. 3, January 17, 1992, p. 1.

[62]*Kolkhozy SSSR: kratkiy statisticheskiy sbornik* (Kolkhozy of the USSR: Short Statistical Handbook), Moscow, Finansy i statistika, 1988, p. 181; and "The State Statistical Committee Reports," *APK: Ekonomika, Upravleniye,* December 1990, p. 36.

[63]"A Year of Reform. What Are the Results?"

[64]Kostromskoye oblastnoye upravleniye statistiki, *Nalichiye krest'yanskikh khozyaystv v oblasti* (The Presence of Peasant Farms in the Oblast). This one-page document had just been completed when I visited the Goskomstat office; it had been printed in only 10 copies.

[65]Idem., *Narodnoye khozyaystvo Kostromskoy oblasti v 1990 godu: statisticheskiy sbornik* (The National Economy of Kostroma Oblast in 1990: Statistical Handbook), Kostroma, RSFSR Goskomstat, pp. 30–31.

[66]Idem., *Agropromyshlennyy kompleks oblasti* (The Oblast Agro-Industrial Complex), Kostroma, RSFSR Goskomstat, 1991, p. 32.

[67]These conclusions are based on maps of peasant enclosures and other data on the Stolypin reforms in Pavlovsky, op. cit., esp. pp. 332, 334.

[68]The tables are calculated from data in "The Dynamics of the Number of Farmers of Russia," *Krest'yanskiye Vedomosti,* No. 15, May 14, 1991, p. 8; Don Van Atta, "First Results of the 'Stolypin' Land Reform in the RSFSR," RFE-RL Research Institute, *Report on the USSR* (Munich), July 19, 1991, pp. 20–23; and "Peasant Farms of the Russian Federation," *Krest'yanskiye Vedomosti,* No. 5, January 25–February 3, 1992, p. 10.

My definitions for the black earth (BE) and non–black earth (NBE) regions do not conform to conventional usage. A strict definition of BE regions includes only Belgorod, Voronezh, Kursk, Lipetsk, Tambov, and Rostov oblasts, and Krasnodar and Stavropol' krays. This has been broadened to include a number of other regions, the primary criteria for inclusion being soil quality and farm productivity. In some cases where the region had both BE and NBE soils, I based my judgment on production. My categories remain open to dispute, but I believe they provide a better sense of the more productive versus the least productive agricultural areas in Russia.

January 1992 statistics show 49,770 individual peasant farms in Russia with a total of more than 2 million hectares of land. For the RSFSR as a whole, the average farm size was 42 hectares. Calculating from the author's soil-zone definitions, the average farm was approximately 52 hectares in NBE regions, 42 hectares in BE regions, and 44 hectares in regions east of the Urals.

[69]Moscow Television, Jan. 23, 1992, translated in *FBIS-SOV,* Jan. 24, 1992, p. 50.

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Table 1: Formation of Private Farms in Non-Black Earth Areas

Russian Federation	January 1, 1991			May 1, 1991			January 1, 1992		
	Number of farms	Area (hect.)	Aver. size (hect.)	Number of farms	Area (hect.)	Aver. size (hect.)	Number of farms	Area (hect.)	Aver. size (hect.)
Arkhangel'sk	37	779	21	151	3,000	20	321	5,505	17
Astrakhan'	6	171	29	104	3,000	29	359	17,695	49
Chelyabinsk	34	3,617	106	354	17,800	50	978	69,081	71
Ivanovo	32	804	25	200	6,000	30	386	9,442	24
Kaliningrad	23	506	22	118	2,300	19	401	7,545	19
Kalmykia[1]	19	8,149	429	53	29,400	555	261	149,997	575
Kaluga	24	1,719	72	143	6,700	47	307	16,268	53
Karelia[1]	28	97	3	172	3,000	17	319	4,630	15
Kirov	29	1,884	65	229	10,700	47	391	17,553	45
Komi[1]	11	367	33	67	1,800	27	217	4,821	22
Kostroma	18	1,133	63	102	5,600	55	258	11,459	44
Kurgan	17	1,165	69	171	10,900	64	607	29,455	49
Leningrad	178	3,264	18	624	8,600	14	1,165	17,167	15
Mari El[1]	12	217	18	60	1,000	17	220	3,786	17
Moscow	21	795	38	300	6,000	20	1,102	17,539	16
Murmansk	--	--	--	7	50	7	24	316	13
Nizhniy Novgorod	44	1,904	43	263	7,600	29	733	16,639	23
Novgorod	163	4,894	30	385	10,300	27	617	14,781	24
Perm	65	2,646	41	696	25,900	37	1,477	47,079	32
Pskov	57	1,886	33	266	7,600	29	574	14,412	25
Ryazan'	9	334	37	92	5,800	63	319	16,875	53
Smolensk	92	8,290	90	235	12,500	53	573	27,159	47
Sverdlovsk	148	7,751	52	547	16,900	31	1,121	32,625	29
Tatarstan[1]	--	--	--	45	3,100	69	250	11,284	45
Tver'	54	2,001	37	352	14,200	40	783	34,302	44
Udmurtia[1]	47	1,961	42	453	11,700	26	701	18,596	27
Vladimir	36	864	24	206	5,000	24	418	10,084	24
Vologda	68	3,058	45	223	7,800	35	434	15,208	35
Yaroslavl'	102	5,819	57	317	16,800	53	566	24,920	44
TOTALS	1,374	66,075	53	6,935	261,050	53	15,882	766,223	52

[1]Formerly an "autonomous soviet socialist republic" (ASSR).

Sources: "The Dynamics of the Number of Farmers of Russia," *Krest'yanskiye Vedomosti* (Moscow), No. 15, May 14, 1991, p. 8; Don Van Atta, "First Results of the 'Stolypin' Land Reform in the RSFSR," RFE/RL Research Institute, *Report on the USSR* (Munich), July 19, 1991, pp. 20–23; and "Peasant (Farmer) Farms of the Russian Federation," *Krest'yanskiye Vedomosti*, No. 5, Jan. 28–Feb. 3, 1992, p. 10.

farming (25 percent). On the question of private property, only 19 percent favored permitting private property.[70] Finally, it is to be recalled that the original law on peasant farms required that peasants hold land for 10 years before being able to sell it, and although the Yel'tsin decree "On Urgent Measures" in December 1991 lifted this restriction, it was reimposed by the Russian parliament in April 1992.[71]

As the data suggest, Yel'tsin's new reforms are gradually making a dent in this trend. But in every region, things remain stacked heavily against the private farmers. First, the land made available was initially land no one else wanted. Then it was stipulated that a person leaving a farm could take farm land with him. This stipulation seems to have been honored more in the breach than in the observance. Although Yel'tsin's December 1991 decrees reiterated this right, the reorganization measure concentrated on dismantling unprofitable state and collective farms, which will probably

[70]"On Changes in the Countryside," *Ekonomika i Zhizn'*, No. 46, November 1990, p. 7.

[71]See fn. 23. A study of voting patterns of soviet deputies conducted by Regina Smyth found that "the rural areas and smaller towns were much more conservative." "Ideological vs. Regional Cleavages: Do the Radicals Control the Russian Parliament?" *Journal of Soviet Nationalities* (Durham, NC), Fall 1990, p. 144.

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Table 2: Formation of Private Farms in Black Earth Areas

Russian Federation	January 1, 1991 Number of farms	January 1, 1991 Area (hect.)	January 1, 1991 Aver. size (hect.)	May 1, 1991 Number of farms	May 1, 1991 Area (hect.)	May 1, 1991 Aver. size. (hect.)	January 1, 1992 Number of farms	January 1, 1992 Area (hect.)	January 1, 1992 Aver. size (hect.)
Bashkiria[1]	26	863	33	217	6,100	28	742	23,169	31
Belgorod	6	279	47	64	1,200	19	327	9,620	29
Bryansk	14	472	34	134	3,100	23	393	7,525	22
Chuvashia[1]	7	81	12	47	500	11	124	1,344	11
Krasnodar Kray	182	2,262	12	950	7,200	8	4,156	62,526	15
Kursk	4	165	41	117	6,500	56	432	21,972	51
Lipetsk	6	501	84	63	2,700	43	333	14,099	42
Mordvinia[1]	7	175	25	118	400	3	314	10,648	34
Orel	9	1,011	112	117	6,100	52	353	19,701	56
Orenburg	25	1,981	79	365	28,400	78	822	63,177	77
Penza	32	3,717	116	151	9,700	64	418	20,065	48
Rostov	2	38	19	225	12,900	57	1,726	72,518	42
Samara (Kuybyshsev)	60	3,421	57	439	14,100	32	851	30,951	36
Saratov	58	4,682	81	600	40,600	68	1,598	98,733	62
Stavropol' Kray	4	28	7	252	4,100	16	1,451	24,541	17
Tambov	3	249	83	142	4,600	32	1,102	32,058	29
Tula	19	1,484	78	182	10,300	57	433	21,283	49
Ulyanovsk	31	924	30	174	5,000	29	400	11,518	29
Volgograd	135	18,388	136	904	84,400	93	2,065	207,489	100
Voronezh	2	127	64	216	8,000	37	575	30,812	54
TOTALS	632	40,848	58	5,477	255,900	40	18,615	783,749	42

[1]Formerly an "autonomous soviet socialist republic" (ASSR).

mean more marginal lands for peasant farmers despite the legal prescription that land given to private farmers not be below the average quality of a kolkhoz's or sovkhoz's land.

Who Are the Peasant Farmers?

Given these circumstances, it is of particular interest to note who it is that has been taking up peasant farming. Although there are no comprehensive data available on the sociological composition of private farmers, we can piece together some limited information on the subject. As of autumn 1991, for Russia as a whole, less than 28 percent of private farmers were former workers on sovkhozes or kolkhozes. This varies by region, and the statistics indicate that in the areas with poorer land quality—Karelia and Yaroslavl', Ekaterinburg (Sverdlovsk), Kamchatka, and Sakhalin oblasts—were named in one article—only 5–10 percent of peasant farmers are former rural workers.[72]

In a survey of 230 private farms in 24 territories of the RSFSR taken during early 1991, the following characteristics were found. Three-fourths of the members of the farms were from the same family. A "majority" used their own labor. A little less than 25 percent used hired labor. Only one-third of the farmers had received specialized agricultural training, and more than 60 percent had no agricultural education.[73]

One Western author has concluded, based on evidence from a number of sources, that only about 10 percent of kolkhoz members want to leave the collective farm and start their own farm.[74] A sociological survey in Tatarstan conducted by the Russian Academy of Agricultural Sciences asked more than 5,000 people (in eight rayons) their opinion regarding different forms of farming. An overwhelming majority, 72 percent, indicated that they desired to remain in the sovkhoz or kolkhoz, and only 12 percent wanted to leave the farm and start their own independent farm. Of the percentage who expressed a desire to leave, 7 percent said they would do so if a small payment for land was required,

[72]"The Farmer of Russia: Who Is He?" *Krest'yanskaya Rossiya*, No. 13, Sept. 14, 1991, p. 3.
[73]"The Russian Farmer," *Ekonomika i Zhizn'*, No. 16, April 1991, p. 10.
[74]Frank Durgin, "Private Farms in the USSR," *Newsletter for Research on Soviet and East European Agriculture* (Portland, ME), June 1991, p. 28.

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Table 3: Formation of Private Farms in Other Areas[1]

Russian Federation	January 1, 1991			May 1, 1991			January 1, 1992		
	Number of farms	Area (hect.)	Aver. size (hect.)	Number of farms	Area (hect.)	Aver. size (hect.)	Number of farms	Area (hect.)	Aver. size (hect.)
Altay Kray	99	5,077	51	651	45,900	71	1,323	96,966	73
Amur	22	1,151	52	229	6,500	28	617	19,879	32
Buryatia[2]	6	273	46	92	4,000	43	230	10,109	44
Checheno-Ingushetia[2]	1,453	19,975	14	1,807	17,800	10	647	12,823	20
Chita	38	9,983	263	137	27,500	201	354	49,865	141
Dagestan[2]	--	--	--	14	200	14	392	1,730	4
Irkutsk	43	970	23	304	8,400	28	661	28,326	43
Kabardino-Balkaria[2]	8	0.5	0.06	18	NA	NA	12	131	11
Kamchatka	4	211	53	48	1,100	23	282	12,756	45
Kemerovo	46	3,899	85	671	32,300	48	1,129	49,467	44
Khabarovsk Kray	202	4,704	23	552	15,300	28	1,028	29,921	29
Krasnoyarsk Kray	88	68,872	99	424	26,300	62	922	40,976	44
Magadan	NA	NA	NA	14	20	1	103	1,269	12
North Ossetia[2]	NA	NA	NA	22	1,200	55	181	2,031	11
Novosibirsk	53	2,691	51	433	31,700	73	1,305	76,738	59
Omsk	22	963	44	256	13,700	54	625	35,347	57
Primorskiy Kray	102	1,455	14	979	17,100	17	1,734	29,028	17
Sakhalin	124	1,959	16	412	6,100	15	645	8,963	14
Tomsk	12	366	31	124	4,200	34	427	16,280	38
Tuva[2]	16	782	49	71	5,800	82	215	30,214	141
Tyumen'	48	9,647	201	324	17,800	55	1,136	49,993	44
Yakutia[2]	41	25,993	634	150	30,000	200	415	16,637	40
Totals	2,427	158,971	65.5	7,732	312,920	40.4	14,383	619,449	44

[1]"Other" consists of areas not usually defined as non–black earth and are found east of the Urals into Siberia and the Far East; the last four entries in the table are found in the Caucasus region.

[2]Formerly an "autonomous soviet socialist republic" (ASSR).

and only 3 percent said they would leave if they had to pay the full value of the land. Similar results were obtained in Orenburg Oblast and in Karelian republic.[75] These findings conform to other surveys indicating that rural dwellers do not want to leave state and collective farms and are more conservative than are urban dwellers regarding the expansion of private property.[76]

My own fieldwork in Kostroma supports these general conclusions about who is turning to peasant farming in Russia. Private farm families tend to be small, with just over two persons per farm, and to make very little use of hired labor.[77] Hired labor, when it was used, was often obtained through personal contacts and previous acquaintances, and was usually unskilled. There was no labor market per se. I was told by a number of people, all from different institutions, that most of the people who set up private farms were former urban dwellers. Through the end of 1991, there was in Kostroma Oblast not a single example of a peasant who had left a state or

[75]"Kolkhoznik Opinions," *Ekonomika i Zhizn'*, No. 21, May 1991, p. 10.

[76]A great number of surveys have appeared in the recent past, and we can only sample the results here. Of course, it is extremely important to pay close attention to the wording of the question. It matters a great deal whether the respondent thinks the question is about leased land or private land. One survey indicated that rural residents are more opposed to the sale of land than are urban residents. See *Izvestiya*, Nov. 12, 1990. Another survey, conducted in Leningrad, Rostov, and Saratov oblasts among 1,400 rural dwellers indicated that four out of five felt that land should be state property. *APK: Ekonomika, Upravleniye*, November 1990, p. 95. And finally, a survey of more than 2,500 urban and rural dwellers was carried out in Belarus, Latvia, Moldova, Kazakhstan, Tajikistan, and Uzbekistan. When asked which form of farming would best provide the country with food, urban respondents answered "individual peasant farming" (26 percent) and lease farming (25 percent); rural residents said that collective farming was the most effective (33 percent). "The Way the Population Relates to Various Forms of Managing the Land," *Voprosy Ekonomiki* (Moscow), May 1990, p. 79.

[77]As of January 1992, there were only 21 hired laborers in all of Kostroma Oblast. See "A Year of Reform. What Are the Results?"

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collective farm and taken land with him. At the Chernopenskiy sovkhoz, I asked the director how many private farmers he had, and the answer was two (one of whom had come from a different region). Asked why he had so few, he replied that rural people simply did not want to leave the farm. I asked other officials, for example a group of economists at the Kostroma branch of Goskomstat, if it was easy to leave the state or collective farm and start a private farm and the answer was "yes." I then inquired as to the biggest obstacle facing private farming, and the answer was invariably the difficulty in finding "people who want to become farmers."

Consequently, private farmers are primarily urban residents trying their hand at agriculture. If they are like private-plot farmers, they presumably have taken up farming to ensure food for their families.[78] Knowing what we do about soaring food prices, interruptions in supply, and general uncertainty, such actions by urban dwellers are hardly surprising. The same mentality was observable during the period of War Communism in the early 1920's.[79]

One thing on which rural and urban dwellers agree is the utility of the private plots. Rural cultivators have remained on the state and collective farms and turned their energies to private plots and collective gardens and orchards. As a result, the plots are enjoying a marked resurgence. In the fall of 1991, there were more than 38 million private-plot farmers, up from 36 million in 1988. Overall, 96 percent of kolkhoz families, 78 percent of worker and employee families in rural areas, and 15 percent of worker and employee families in urban areas operated private plots. Acreage in all private plots grew from 7.8 million hectares in 1988 to 8.2 million hectares in 1990.[80]

In 1990, private plots had more head of cattle, more pigs, and more sheep and goats and produced more meat, more eggs, more milk, and more wool than in 1985. In 1990, output from private plots accounted for 65 percent of the nation's potatoes (up from 59 percent in 1989); 33 percent of vegetables (up 3 percent over 1989); 30 percent of meat (up 1 percent over 1989); 28 percent of milk (up 1 percent over 1989); and 27 percent of the country's eggs (up 1 percent over 1989). Significantly, in 1990, private-plot farmers on sovkhozes produced more potatoes, milk, meat, vegetables, and fruits and berries than they consumed. The same was true for the products of kolkhoz private plots (except for eggs). Sales of privately grown produce contributed an average of 1,808 rubles to the kolkhoznik family income (26 percent of their gross income), 1,208 rubles to the sovkhoznik family income (17 percent), and 997 rubles to pensioners who live on kolkhozy (41 percent).[81]

So we see that kolkhozniki and sovkhozniki have shown a reluctance to take on the burden and risk of private farming. By shunning private farms but taking advantage of the availability of state land for private-plot activities, the peasants avoid the heavy debt entailed in setting up a private farm. Rural residents have instead exploited opportunities that new institutions offer by further developing a form of farming they know well and which has been their security net since the earliest days of collectivization—the private plot. At the same time, by utilizing such opportunities, rural families are able to increase family income through the sale of private-plot output, thus taking advantage of chronic shortages in the state sector and increased market prices.[82]

Conclusion

Judging from the types of people being drawn into private farming and the farms they are developing, the process is not likely to make agricultural production less costly, more efficient, and more productive in the short term. Although individual exceptions can be found, it is not clear that the majority of peasant farmers will be able to produce at substantially more than a subsistence level.[83]

[78]See Stephen K. Wegren, "Private Agriculture in the Soviet Union Under Gorbachev," *Soviet Union* (Bakersfield, CA), Nos. 2–3, 1989, esp. pp. 115–17.

[79]One should note that the urban-dweller-turned-farmer is not completely without resources. Local agricultural institutes are able to lend both advice and technical help. At the Karavayevo Agricultural Institute in Kostroma, for example, the Germans have sponsored a course to teach people how to farm; as of January 1992, eight private farmers had enrolled.

[80]"The Private Plots of the Population," *APK: Ekonomika, Upravleniye*, March 1991, p. 21; and "The Potential of the Private Plots," *Ekonomika i Zhizn*, No. 40, October 1991, p. 15; and "Private Plots of the Population," ibid., No. 6, February 1991, p. 10.

[81]"The Potential of the Private Plots," *Ekonomika i Zhizn*, No. 40, October 1991, p. 15; and "Private Plots of the Population," ibid., No. 6, February 1991, p. 10.

[82]More produce is being sold through market channels. Soviet survey data of 264 cities show that the physical volume of sales of plant products at urban kolkhoz markets was 2 percent greater in 1990 than in 1989; and 8 percent greater for meat products. "Goskomstat USSR Reports," *APK: Ekonomika, Upravleniye*, May 1991, p. 93.

[83]For the whole country at present, private farms are insignificant when measured in terms of land occupied and production. By late autumn 1991, private farms occupied less than 1 percent of the arable farm land in Russia and accounted for less than 1 percent of total agricultural output. (By comparison, private plots, which also occupy relatively little land, produce about 25 percent of total agricultural output.) For the output of private farms, see "Through the Prism of Figures"; for the output of private plots, see "On Private-Plot Farmers," *APK: Ekonomika, Upravleniye*, November 1991, pp 14—18.

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Those with knowledge of the land have largely shunned private farms and continue to respond as they have traditionally responded: by increasing private-plot production. Despite changes in land reform legislation that must have pleased even the most radical reformers, there is little that laws can do if rural farm workers do not want to become independent; and laws will have little effect on widespread deficiencies in rural amenities and services. As Minister of Agriculture and Food Viktor Khlystun told a television interviewer in January 1992, it would be unwise to "single out one particular type of production organization and expect it to assume full responsibility for feeding the country."[84] Despite Yel'tsin's radical decrees, actual decollectivization of Russian agriculture cannot take place until there is a system to take its place, a system that is better able to feed the country. Given the way private farming has developed to date, that day is still years in the future.

[84]Moscow Television, Jan. 22, 1992, translated in *FBIS-SOV*, Feb. 7, 1992, p. 62.

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Books

Hungary's Economic Transformation

Michael Marrese

IVAN T. BEREND. *The Hungarian Economic Reforms, 1953–1988.* Cambridge, Cambridge University Press, 1990.

GÁBOR RÉVÉSZ. *Perestroika in Eastern Europe: Hungary's Economic Transformation, 1945–1988.* Boulder, CO, Westview, 1990.

JÁNOS KORNAI. *The Road to a Free Economy.* New York, Norton, 1990.

FROM 1964 to 1988, Hungarian attempts to find a "third way" between central planning and the market economy caught the attention of the West. Since 1988, Hungarians have committed themselves to the establishment of a full-fledged market economy. Although Budapest's earlier attempts at reform did not enable the country to increase efficiency dramatically or to become integrated into the world economy, they contributed to the development of a set of attitudes and an institutional infrastructure more congenial to economic transformation than are present in other countries of Central and Eastern Europe.

This essay will analyze how the past has influenced Hungary's current economic transformation and the progress Hungary has made in becoming a market economy. The recent books by Ivan T. Berend and Gábor Révész provide important evidence of Hungary's mediocre macro economic performance and its foreign trade problems up to 1988. After providing my own evaluation of that period, I turn to János Kornai's program for Hungary's economic transformation to a market economy. Finally, I will examine the progress Hungary has made from 1988 onward in implementing a market-oriented transformation.

IN *The Hungarian Economic Reforms, 1953–88,* Ivan Berend, one of Hungary's most illustrious economic historians, focuses exclusively on the reform process (p. ix). The book is well written, rich in detail, carefully footnoted, and, at times, uncomfortably apologetic for regime policies.

Three factors contribute both to the book's depth and to its sympathetic evaluation of the policies Hungary pursued for most of the postwar period. First, the initial version, published in Hungarian, came out in 1988, well before the fall of the Hungarian Socialist Workers' Party. Its target audience was made up primarily of Hungarian economists and government decision-makers along with specialists on the Hungarian economy. Second, Berend relied heavily on communist party archives (which previously were partially closed to scholars), on the mainstream journal *Közgazdasági Szemle,* and on the party newspaper *Népszabadság.* These sources are likely to be sympathetic to the difficult choices policy-makers faced from 1953 to 1988. Third, Be-

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rend decided that his personal acquaintance with many of the reformers and his own reformist activity compelled him to be as unobtrusive as possible by letting the participants' own published statements do the talking (p. ix). Consequently, a good portion of the book is built around carefully chosen quotations rather than on Berend's explicit assessment of the quality of policy-making and the feasibility of a less cautious approach to reform.

As background to the reform period, Berend looks at the emergence of the cold war (p. 1); the tendency to equate socialism with the Stalinist model and the reasons why that model was attractive (p. 7); and the particular political circumstances that led to Hungary's adoption of the Soviet command model (p. 13). By the mid-1950's, Hungarian policy-makers had drawn several conclusions: the primary reason for having a command economy, namely, to prepare for a war with the capitalist world, no longer seemed valid; from its very inception the command economy had produced negative consequences for the Hungarian economy; and, finally, an unacceptably high level of social tension had arisen within the country (pp. 8–14). Clearly, there was great pressure for change.

Next, Berend discusses the first phase of reform, 1953–63. During that time, a few economists began to offer coherent critiques of the command system. However, the general emphasis during 1954–57 was on reducing the number of plan indicators (pp. 17–19) and then, during 1957–63, on rejecting the idea of comprehensive reform and concentrating instead on improving the system of planning and rationalizing state-set prices (pp. 52–83).

Nonetheless, two changes from the 1957–63 era strongly influenced future reform efforts. First, the process of amalgamating enterprises created industrial monopolies. Subsequently, conservatives always cited the negative welfare consequences were this industrial structure to be exposed to price setting by the market. Second, on the positive side, this period marked the beginning of agriculture's gradual transformation into a sector in which private and cooperative efforts could coexist harmoniously and in which decentralized decision-making gained prominence. Throughout the reform process, advocates of reform pointed to progress in agriculture as indicative of the benefits that a more comprehensive reform could achieve.

The second phase, 1964–78, is symbolized by the realization that only comprehensive reform would be effective. But Berend shows that the term refers to the breadth of reform, not to its depth. Incentives that would change behavior and create a truly major role for the market were to be introduced gradually. He provides a good overview of the preparations for the 1968 implementation of the New Economic Mechanism (NEM), but also documents the "deeply rooted ideological and political reservations and concern for vested interest aroused by the reform" (p. 155).

Berend argues that government authorities had little choice but to respond to the anxieties of the conservatives (p. 156) and practically speaking, the response to them was to promise gradual change. This gradualism was evident in guarantees not to relieve managers and government officials of their jobs, in the widespread use of seminars and courses to educate party functionaries and trade union officials about the advantages of reform, and in limits imposed on the extent to which the market would influence investment allocation, price setting, wage formation, and distribution of enterprise profit.

Berend's judgment that it was inevitable that the NEM would become an unworkable mix of compromise and reform may be understandable. Less supportable is his relatively uncritical evaluation of the post-1973 policies that left Hungary in perilous condition by the late 1970's. These policies included using loans from Western banks to support the standard of living while simultaneously failing to adjust relative domestic prices to the post-1973 world-market prices.

A "reform of the reform" was the hallmark of the period 1979 to 1988. In discussing this period, Berend presents arguments for both swift economic reform and for political and social reform. Yet, despite the new rhetoric, only two positive developments occurred during this period: the dismantling of monopolies in the early 1980's and the step-by-step expansion of the role of small businesses.

Berend ends his book with the verdict that the reform process failed "to produce a system flexible enough to react to challenges of the world economy" (p. 291). He also discredits the philosophy of the "third way" (p. 291).

IN *Perestroika in Eastern Europe: Hungary's Economic Transformation, 1945–1988,* Gábór Révévsz, a leading Hungarian labor economist, provides a well-written and easily understood review of the policy options the authorities faced and the reasons why the resulting decisions were made. The book was written for a broad American audience based on lectures Révész gave in the United States in 1984–86.

After giving readers a sense of how ordinary Hungarians lived in the mid-1980's and a sense of who won and lost during the reform process, Révész turns to events of 1945–56 in some detail. Here, he

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draws one important conclusion about the Hungarian Revolution of 1956:

The workers did not seek a capitalist restoration. Through their councils, they wanted to end the party's despotism and to have factories managed according to their own interests. They wanted a socialist model responsive to Hungarian conditions, not one copied from the Soviet Union. (pp. 38–39)

I believe that 250,000 Hungarians who left the country in 1956 and many others who remained but still remembered the government harassment of the late 1940's and early 1950's and the fall in the standard of living during the 1950's would strongly disagree with Révész's evaluation.

In any case, workers did not get what Révész perceives they wanted, namely, the end of the party's despotism, and the establishment of workers' management through workers' councils. Rather, as Révész chronicles, the government engaged in steadfast efforts during 1956–67 to improve the standard of living. The author outlines the tension between the Hungarians' desire for reform and pragmatic respect for the power of those distrustful of the market.

This tension was temporarily relieved with the introduction of the NEM. Révész describes the NEM in its ideal form as market coordination of day-to-day activities, central control of the macro economy via rules and financial regulators rather than via mandatory plan targets, and substantially independent enterprise decision-making. Nonetheless, Révész recognizes the many weaknesses of NEM, putting special emphasis on the failure to introduce true markets for capital and labor.

Révész then concentrates on the macro implications of NEM—wasteful, investment-led growth, the decision to orient the economy toward the Council for Economic Mutual Assistance (CEMA) rather than toward the world economy, the accumulation of a high level of foreign debt in order to sustain consumption, and the unwillingness of the center to allow enterprise independence. He portrays the shortsightedness and confusion of the authorities in a convincing manner. Hungary's situation deteriorated during 1978–86. Révész documents the reasons: the weaknesses of the leadership, its inability to reverse enterprise dependence on government subsidies, and the growing cynicism of the population.

Finally, Révész presents a wide array of evidence that a turnaround began in 1987–88. Even though the economy still floundered during these years, two trends inspired hope: new political groups emerged and the communist party leadership of the past 30 years was replaced; and laws, institutions, and policy instruments similar to those found in Western Europe began to be introduced. Thus by the end of 1988, there were concrete signals of Hungary's willingness to orient itself to the West.

THE Berend and Révész volumes make clear that Hungary never found the third way. Nor did Hungarian policy resemble any of the following six models of planning where planning is defined as an approach to policy-making that reflects a well-defined notion of the government's role in society.

- The *narrow Western* approach holds that planning ought to encompass only public-sector economics, which itself is designed to correct market failures such as externalities, the free-rider problem,[1] and inability to ensure increasing returns to scale. Hong Kong is a good example of a country that follows the narrow Western conception.
- The *broad Western* approach, sometimes called welfare capitalism, adds a deep concern for the distribution of income to the focus on public-sector economics. It is practiced most closely by the Scandinavian countries.
- The *environmental* approach concentrates on the need to attain ecologically sound economic policies that have long-run viability. Clean air, unpolluted oceans, healthy forests, renewable natural resources, and so forth are the concerns of environmentalists. While there are many environmental groups that influence policy and numerous papers on environmentally sound, long-term growth, no country has based its macro planning primarily on environmental concerns.
- *Indicative planning* connotes government-organized information collection and policy-coordination that does not entail detailed mandatory plan targets. Each of the following arguments in favor of noninterventionist indicative planning emphasizes that indicative planning is meant to improve the information flow (thereby reducing uncertainty) to private decision-makers, who control the main levers of economic power via market interaction. First, indicative planning is often seen as a means of providing conditional forecasts of future demand and supply that would not be available otherwise.[2] Second, indicative planning may be viewed as a tool to convince businesspeople that faster growth than they might

[1] It was commonly believed that in economies with public goods it would be impossible to devise a decentralized process that would allocate resources efficiently since agents would have an incentive to "free ride" on others' provision of these goods in order to reduce their own expenses in providing them.

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have expected is possible. The key assumption behind the demand-expectations argument is that differences in demand expectations are an important factor in explaining differences in productivity growth.[3] Third, indicative planning may be considered a means of taking advantage of the economies of scale associated with the collection and sharing of information and of assisting economic actors to overcome bounded rationality.[4]

Interventionist aspects of indicative planning are based on the government's high degree of confidence in the information it collects. Two forms of intervention are common: ordering state-owned enterprises and agencies to follow the relevant dictates of the plan, and offering economic actors incentives to follow the plan. France is the country most closely associated with both the pure and interventionist kinds of indicative planning.

- Planning built upon *industrial policy* seeks to accelerate economic growth and to give the economy a forward-looking, long-run direction by fostering cooperation between government and the business community. In general, successful industrial policy has promoted technological progress based on an understanding of the trends in the world economy.[5]
- Finally, a *Marxist-Leninist* perspective on planning is based on the idea that preferences are endogenous, not exogenous.[6] This perspective led to Soviet central planning, which replaced consumer sovereignty with government paternalism, horizontal market interaction with hierarchical bureaucratic interaction, prices with plan instructions, competitive pressure with plan compliance, profit maximization with plan fulfillment, market equilibrium with plan consistency, private ownership with state ownership, and so forth.

In the years 1968–87, Hungarian planners did not follow any of these models. Indeed, they never adopted one set of aims, objectives, and policy instruments long enough to be effective. Instead, Hungary moved closer and closer to a market system. So, in this sense, Hungary never achieved the third way.

Since Hungarian planning for most of the post-1967 period involved a significant amount of central control over prices, wages, exchange rates, distribution of investment, the pattern of exports and imports, and the level of real wages, Hungarian planning fit neither the narrow nor broad Western conception of planning. Moreover, Hungarian planning did not reflect the environmental paradigm since environmentally sound policies were almost completely absent from Hungarian plans.[7]

At first glance, Hungarian planning seemed to be a variant of indicative planning. After all, in the 1960's, the regime decided that the negative features of central planning could be eliminated by replacing plan targets and supply allocations for enterprises with a market-guided system based on profit-sharing for enterprise managers and workers. However, the focus of Hungarian planning was not to provide superior information to private decision-makers. Private economic agents, while becoming steadily more important since 1968, did not dominate economic decision-making in Hungary.[8] Rather, Hungarian planning demonstrated an unwillingness to trust markets; ignored the positive attributes of competition; tried to make the transition to the guided market system as painless as possible for bureaucrats, enterprise managers, and workers; and was overly optimistic about the effects of limited enterprise independence on efficiency. Thus, political compromise over tradeoffs among central preferences prevailed over any consistent effort to follow indicative planning.

Indicative planning built upon industrial policy may be eliminated as a possibility because Hungarian planning was oriented toward import substitution and the needs of the CEMA market;[9] was funded by a combination of central development programs and credits to ex-

[2]Stephen S. Cohen, *Modern Capitalist Planning: The French Model*, Berkeley, CA, University of California Press, 1977, pp. 8–20; R. Kerry Turner and Clive Collis, *The Economics of Planning*, New York, St. Martin's, 1977, pp. 57–65; Saul Estrin and Peter Holmes, *French Planning in Theory and Practice*, London, George Allen and Unwin, 1983, pp. 7–9.

[3]Turner and Collis, op. cit., pp. 65–70; and Estrin and Holmes, op. cit., pp. 19–23.

[4]Estrin and Holmes, op. cit., pp. 28–58.

[5]Ira C. Magaziner and Thomas M. Hout, *Japanese Industrial Policy*, Berkeley, CA, Institute of International Studies, 1980; Ryutaro Komiya, Masahiro Okuno, and Kotaro Suzumura, Eds., *Industrial Policy of Japan*, Tokyo, University of Tokyo Press, 1988.

[6]That is, preferences are determined by society itself, rather than being fixed within each individual at birth.

[7]Hungarian plans showed limited environmental sensitivity in terms of water management and in the switch from coal-burning to oil-burning public utilities and central-heating units for apartment blocks.

[8]See, for instance, Tamás Bauer, "The Hungarian Alternative to Soviet-Type Planning," *Journal of Comparative Economics* (San Diego, CA), No. 3, 1983, pp. 253–76; and János Kornai, "The Hungarian Reform Process: Visions, Hopes, and Reality," *Journal of Economic Literature* (Pittsburgh, PA), December 1986, pp. 1687–1737.

[9]Josef C. Brada and J. Michael Montias, "Industrial Policy in East Europe: A Comparison of Poland, Czechoslovakia, and Hungary," *East European Economies: Slow Growth in the 1980's*, Joint Economic Committee of the US Congress, Washington, DC, US Government Printing Office, October 1985, Vol. 1, p. 213; András Köves, "The Import Restriction Squeeze and Import Maximizing Ambitions," *Acta Oeconomica* (Budapest), Nos. 1–2, 1985, pp. 99–112; idem., "Foreign Economic Equilibrium, Economic Development, and Economic Policy in the CMEA Countries," ibid., Nos. 1-2, 1986, pp. 35–53.

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pand exports,[10] which were allocated based on shortsighted considerations,[11] and which were distributed primarily according to government-level CEMA obligations rather than according to enterprise-level competitiveness; and, finally, was lacking the necessary prices, incentives, and hard budget constraints to encourage enterprises to make products that could compete in the world market.[12]

By eliminating mandatory plan targets in 1968, Hungarians gave up the traditional Soviet interpretation of Marxist-Leninist planning. Somehow the Hungarians hoped to find a third way between central planning and the market. They never reached a stable position. Instead, the Hungarian economy was in a constant reform in which the economy became more market-oriented than originally anticipated and the communist party eventually lost power. So, from 1968 onward, the trend for Hungary was away from the Marxist-Leninist perspective, until the perspective was completely rejected in 1989.

It is perhaps useful to contrast the pattern that would ideally pertain under any of these models with Hungarian reality. First, a government should come into power with a declared set of aims and with the priorities among them indicated. Second, a government, in consultation with civil servants and experts, should convert the economic aspects of its aims into quantifiable economic objectives. Third, the feasibility of these objectives should be tested on a model of the economy to ensure that internally consistent objectives emerge. Fourth, policy instruments should be chosen to maximize the probability that the economy will move "near" its set of objectives.

Until 1990, Hungarian planning was directed by a government chosen by the communist party, which had no reason to articulate trade-offs among its aims. While the Hungarian aims were converted into quantifiable objectives, these objectives were not tested on a model of the economy to ensure that a set of internally consistent objectives would emerge. Rather, Hungarian objectives were selected by narrowly conceived (as opposed to general-equilibrium) adjustments to recent trends.[13] Finally, Hungarian policy-makers did not agree on the proper set of policy instruments to be used for a particular set of objectives. Thus, the actual policy tools chosen often varied with the outcomes of bureaucratic battles.

THE history of Hungarian planning since the launching of NEM can be divided into three periods: 1968–79, 1980–87, and 1988–89. In the first period, the government naïvely believed that it could forecast the future in a sufficiently accurate manner so as to formulate financial regulators for enterprises that would induce them to act according to central preferences.[14]

During this period, aims were similar to those of the pre-1968 period, namely, to raise the efficiency of economic activity, improve the standard of living, maintain full employment and job security, guard against inflation, and preserve a socially acceptable distribution of income. The means to achieve these aims were also familiar: to regulate enterprise net income in order to combat inflation and stimulate greater effort on the part of managers and workers; increase the availability of consumer goods and services; raise the quality of hospitals, schools, and public transportation; use subsidies and compensatory wage increases to protect the standard of living of every segment of society; maintain the productive capacity of the state sector; and fulfill CEMA obligations. In practice, instruments were almost exclusively *enterprise-specific* financial regulators, such as tax rates, preferential prices, subsidies, exchange rates, access to cheap credit, and so forth. In effect, the bargaining over the plan targets found in the pre-1968 period was replaced by enterprise managers bargaining with planners over enterprise-specific financial regulators.

The second period, 1980–87, signals the government's realization that earlier attempts at reform produced inadequate flexibility, weak accountability, and inconsistent incentives. While policy changes in this period constituted partial measures to create a price system that reflected supply and demand (and was more closely connected to international opportunity costs), the energy of Hungarian

[10]Brada and Montias, loc. cit., p. 214.

[11]Michael Marrese, "Hungarian Foreign Trade: Failure to Reform," in Michael Marrese and Sándor Richter, Eds., *The Challenge of Simultaneous Economic Relations with East and West*, London, Macmillan Press, 1990.

[12]Brada and Montias, loc. cit., p. 215; Kornai, loc. cit.; and Michael Marrese, "The Hungarian Economy: Prospects for the 1980's," in Economics Directorate NATO, Eds., *Economic Reforms in Eastern Europe and Prospects for the 1980's*, Oxford, Pergamon Press, 1980, pp. 183–201.

[13]For a concrete example of the narrow, compartmentalized approach to Hungarian foreign-trade planning, see Michael Marrese, "The Separability of Hungarian Foreign Trade with Respect to the Soviet Union, the Rest of the CMEA, and the West," *Comparative Economic Studies* (Tempe, AZ), No. 2, 1989, pp. 1–41. For an example with respect to investment planning, see László Csaba, "The Recent Past and the Future of the Hungarian Reform: An Overview and Assessment," in Roger A. Clarke, Ed., *Hungary: The Second Decade of Economic Reform*, Essex, England, Longman, 1989, pp. 13–28.

[14]See Ed A. Hewett, "The Hungarian Economy: Lessons of the 1970's and Prospects for the 1980's," in *East European Economic Assessment*, Joint Economic Committee of the US Congress, Washington, DC, US Government Printing Office, February 1981, pp. 483–524.

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planners was primarily devoted to servicing Hungary's debt to the West and improving the current-account balance.[15]

In this period, Hungarian planning was in complete disarray as one short-term crisis after another arose, and therefore planners had to put out one fire after another. They had to meet hard-currency debt repayment obligations, secure inexpensive fuels and raw materials from the Soviet Union, guard against a decline in the standard of living, and survive the liquidity crisis of 1982–83. The means adopted to achieve these aims were restrictive and austerity-oriented until 1985, then unrealistically expansionist during 1985–87. In addition, there was an effort to promote competition by dismantling monopolies and trusts and by aligning domestic prices more closely to international opportunity costs. Also throughout the period, restricting imports, promoting hard-currency exports, reducing the size of the government bureaucracy, and cutting government subsidies were stated objectives. Near the end of the period, authorities sought to reverse reliance on CEMA markets. Instruments became less enterprise-specific, relying more on preferential convertible-currency export credits, preferential credits for import substitution, and reduced government intervention in investment decision-making and in the setting of wages and prices.

The third period, 1988–89, witnessed the government's decision to adopt an Economic Stabilization and Structural Reform Program, the priorities of which were to end the growth of hard-currency debt and accelerate the restructuring of the Hungarian economy. During this period, Hungarian planners adopted more traditional Western macro policy tools, moved away from CEMA obligations, and became more seriously committed to Hungary's integration into the world economy.

In this period, planning was based more and more on the conviction that *only* a radical move toward a market economy that is fully integrated into international markets would be consistent with Hungary's long-term interests. Efforts were geared to Hungary's eventual transition to a Western-style economy. This transition was to involve establishing Western-style laws and institutions, creating more opportunities for private-sector activity, attracting more Western capital, reducing reliance on the Soviet market, and establishing a market-based pricing system. Means to achieve these aims included eliminating foreign trade imbalances (meaning more emphasis on West European markets and less on Hungarian-Soviet trade), ending many consumer subsidies, implementing policies to promote foreign direct investment, instituting banking and tax reform, implementing political reform, passing new laws for investors, and selling state-owned assets. Policies followed directly from the decision to restructure the economy—passing market-oriented laws, remaking the production structure via new investment, breaking up monopolies, corporatizing state enterprises, selling and leasing state assets, and introducing a personal income tax and a value-added tax.

THE efforts at reform described above reflected Hungary's desire to improve its economic performance. Since 1968, it has been weak compared to capitalist and socialist countries. Compared to 18 capitalist countries,[16] the growth rate in Hungary's gross domestic product (GDP) was at the high end of the spectrum during 1971–75, in the middle during 1976–80 and 1981–85, and at the low end during 1986–88. So, relative to these countries, overall Hungarian growth was average, but on a steadily declining trend. Compared to eight other socialist countries,[17] the growth rate in Hungary's net material product (NMP) was high for 1971–75, but it ranked above only Poland for 1976–80, above Poland and Yugoslavia for 1981–85, and above only Yugoslavia for 1986–88.

However, a comparison using constant 1988 prices and a uniform methodology for determining national income yields a somewhat more positive evaluation. Letting United States GNP per capita equal 100 in 1970 and in 1988, Hungary went from 44.1 percent of the United States's GNP per capita in 1970 to 43.8 percent in 1987; Bulgaria, from 38.1 to 38.0; Czechoslovakia, from 52.7 to 51.4; the GDR, from 55.1 to 63.0; Poland, from 39.3 to 36.5; Romania, from 25.9 to 32.5; Yugoslavia, from 29.3 to 33.1; and Eastern Europe (all countries), from 39.5 to 40.8. Hence, Hungary's growth record for 1970–88 according to one set of measures was better than that of Poland, similar to that of Bulgaria and Czechoslovakia, and worse than that of the GDR, Romania, and Yugoslavia.[18]

Hungary's foreign trade perfor-

[15]See Bauer, loc. cit.; Köves, "Foreign Economic Equilibrium, Economic Development, and Economic Policy in the CMEA Countries."

[16]Austria, Belgium, Denmark, United Kingdom, Finland, France, Greece, Holland, Federal Republic of Germany, Norway, Italy, Spain, Switzerland, Sweden, Japan, USA, Canada, and Australia. See *Statisztikai Évkönyv* (Hungarian Statistical Yearbook), Budapest, Központi Statisztikai Hivatal, 1986, p. 345; and ibid., 1988, pp. 343–44.

[17]Bulgaria, Czechoslovakia, Yugoslavia, the People's Republic of China, Poland, the German Democratic Republic, Romania, and the Soviet Union. See ibid., 1986, p. 345; and ibid., 1988, pp. 343–44.

[18]Thad P. Alton, et. al., "Economic Growth in Eastern Europe 1975–1988," Occasional Paper No. 105 of the Research Project on National Income in East Central Europe, New York, L. W. International Research, 1989, p. 23.

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mance was worse than its mediocre growth record. Consider Hungary's most important foreign trade objective since 1979—the reduction of its convertible-currency debt. From the end of 1980 to the end of 1986, Hungary's net convertible-currency debt grew by 61.3 percent, second only to the 85.6 percent growth of the Soviet Union's net convertible-currency debt and in dramatic contrast to the substantial declines in net debt of the GDR (-38.0 percent), Romania (-37.1 percent), and Czechoslovakia (-20.2 percent).[19] Moreover, Hungary's long-term hard-currency debt as a percentage of its convertible-currency exports stood at 95.4 in 1980 and averaged 187.1 for 1986–88, a 96.1 percent increase. For Poland, that figure was 262.7 percent in 1980 and averaged 530.0 percent for 1986–87, a 101.7 percent increase. For Yugoslavia, that percentage was 87.1 in 1980 and averaged 87.3 for 1986–88, a 0.3 percent increase. In terms of net convertible-currency debt per capita, Hungary was first compared to Bulgaria, Czechoslovakia, the GDR, Poland, Romania, the USSR, and Yugoslavia. In terms of net convertible-currency debt per unit of GNP, Hungary and Poland tied. In terms of net convertible-currency debt divided by 1986 current account receipts, Hungary was second.[20]

One reason for Hungary's dismal convertible-currency trade performance in the 1980's was the decline in its convertible-currency terms of trade. An examination of Hungary's overall terms of trade relative to that of 20 other countries shows that from 1973 to 1988, Hungary experienced the second sharpest decline in terms of trade (after Australia).[21] Moreover, Hungary's decline was constant from 1973 to 1986. It appears that since 1973, Hungarian foreign trade has not adjusted to changes in either Western or CEMA markets.

HAVING described the dimensions of Hungary's economic crisis before 1990, we now consider one scholar's recommendations for transforming the system and Hungary's progress to date. János Kornai is a world-renowned economist whose research has been influential in many fields. In the 1950's, he wrote the first case-study critique of the command system; in the 1960's, a book on mathematical modeling of planned economies; in the 1970's, an attack on Western general equilibrium modeling; and in 1980, an exhaustive study of the economics of shortage.[22] In *The Road to a Free Economy,* Kornai addresses a new audience, namely, the democratic politicians in Hungary who are now responsible for establishing a market economy. Kornai wrote the book in late 1989, roughly half a year before the country's first free elections. His tone is passionate as he seeks to convince soon-to-be-elected political leaders of the advantages of his reform scheme.

Kornai focuses on the need to implement policies simultaneously in three areas: ownership, macroeconomic stabilization, and the relationship between the economy and the polity. In the area of ownership, Kornai asserts that the development of the private sector was the most important achievement of the pre-1989 reform process (pp. 35–36). He then advises that all institutional prejudices against the private sector be replaced with unrestricted support. More concretely, he offers six guidelines (pp. 38–48):

- the private sector should face no restraints other than with regard to issues such as taxation and environmental regulation;
- private contracts should be legally enforced;
- private property should be protected from confiscation;
- people should be allowed to earn as much as they can, and tax rates should not be established at prohibitively high levels;
- the state sector should be prevented from gaining access to excessive investment resources at the expense of the private sector;
- respect for successful private entrepreneurs should be promoted.

At the same time, Kornai realizes that the state sector's size can be reduced only gradually; therefore, every effort should be made to improve its efficiency. He recommends policies that would make state firms both independent from the state budget and government authorities and also subject to hard budget constraints (pp. 63–67).

Next, Kornai discusses privatization (pp. 81–93). He begins by opposing any scheme designed to give away state assets. Rather, he

[19]Jan Vanous, "A Review of Developments in Soviet and East European Hard-Currency Trade, Balance of Payments, Debt, and Assets, 1980–86," *PlanEcon Report* (Washington, DC), Nos. 36, 37, 38, 1987, p. 23.

[20]Calculated from data supplied by the World Bank for the World Bank's Colloquium for Executive Directors on Socialist Economic Reform, Westfields, VA, Apr. 19–20, 1990.

[21]Austria, Belgium, Luxembourg, Denmark, United Kingdom, Finland, France, Greece, Holland, Yugoslavia, Poland, the Federal Republic of Germany, Norway, Italy, Switzerland, Sweden, Japan, USA, Canada, and Australia. See *Statisztikai Évkönyv* (Hungarian Statistical Yearbook), Budapest, Központi Statisztikai Hivatal, 1978, pp. 539–40; ibid., 1981, pp. 390–91; ibid., 1988, pp. 363–64; and ibid., 1989, pp. 368–69.

[22]János Kornai, *Overcentralization in Economic Administration,* London, Oxford University Press, 1959; idem., *Mathematical Planning of Structural Decisions,* Amsterdam, North-Holland Publishing Company, 1967; idem., *Anti-Equilibrium,* Amsterdam, North-Holland Publishing Company, 1971; and idem., *The Economics of Shortage,* Amsterdam, North-Holland Publishing Company, 1980.

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supports selling or leasing assets to private entrepreneurs at real market prices and via methods that could vary according to firm size and type. In addition, he favors the establishment of credit facilities to enable citizens to compete with foreigners for state assets, and opposes selling state assets to foreigners at cut-rate prices and allowing current managers and employees to obtain large shares of ownership in their firm at discount prices. Kornai goes on to say that sale of state assets should become a major source of budget revenue. Finally, he argues that transparent procedures should characterize asset sales.

Kornai's second major focus is macroeconomic stabilization. Here he emphasizes the need to implement policies to stop inflation, balance the state budget, manage macro demand, liberalize prices, attain currency convertibility, and establish a social safety net and economic reserves. In his view, simultaneous implementation of all these measures is crucial for success:

Stopping inflation requires a balanced budget. Balancing the budget, in turn, can be achieved only if the tax system is placed on a radically new basis. The budget cannot be balanced in the midst of inflation, since revenues are always delayed by comparison with expenses, so that inflation makes itself felt more strongly on the income side than on the expenditure side. Stopping the subsidization of loss-making firms is conditional upon the introduction of a new tax system and also upon the possibility of finding out which firms are genuine profit- or loss-makers through the use of market-clearing equilibrium prices. Genuine market prices cannot emerge, however, amid accelerated inflation. While the partial price adjustments do not converge to a rational system of relative prices, they themselves speed up the inflationary spiral. The list of these concentric and interdependent problems could well be extended by a dozen more examples. Taken together, they provide an economic explanation for the need to execute the operation at one stroke. (p. 159)

Last, Kornai seeks to "sell" his ideas concerning ownership and macroeconomic stabilization. He foresees that support for his program will come from those who value freedom, want to be entrepreneurs, wish to purchase property, would be hurt by inflation, and are fed up with wasteful government expenditures. At the same time, he realizes that the temporary increases in unemployment and poverty that may accompany his program along with his advocacy of strict wage discipline may well be unpopular. He concludes that only a strong government can implement his policy recommendations.

AS mentioned above, during 1988–89, Hungary began to adopt policies found in Western Europe and became more integrated into international markets. During the second half of 1989, Hungary accelerated its transformation, aiming to become a full-fledged market economy and a democratic country. This watershed allowed the democratic government that took power in May 1990 to embark on complete price and trade liberalization and rapid privatization. In addition, previously initiated policies could now be implemented more effectively.

During 1990–91, Hungary has experienced greater success in implementing market-oriented structural reforms than in achieving macro stability. However, while businesspeople who have invested in Hungary have been favorably impressed with the country's progress, Hungarians themselves have become deeply disillusioned.

With respect to structural reforms, the achievements have been multidimensional.[23] First, new laws supporting private-sector activity, modifications of tax regulations, improved bankruptcy procedures and policies creating greater competitiveness in the banking sector, the establishment of a framework to monitor potentially anti-competitive practices, the corporatization of state assets, and success in resolving the issue of compensation to previous owners have combined to produce a transparent, neutral, and market-oriented investment climate and financial system. Second, further liberalization of prices, removal of restrictions on imports, including the elimination of most import licenses and the raising of the quota on imported consumer goods, deregulation of capital markets leading to greater market control over capital allocation and interest rates, cutbacks in government subsidies, and other budgetary reforms have produced much better market signals for enterprise and government decision-makers. Third, the abolition of ruble-denominated CEMA trade, the government's unwillingness to save enterprises from bankruptcy, and Western countries' willingness to open up their markets have put pressure on Hungarian firms to redirect their exports to Western markets to offset the collapse in trade with the Soviet Union and its successor-states. Fourth, a pragmatic approach to selling and leasing state assets and market-

[23]For an account of Hungarian policies during 1990 and the first half of 1991, see Organization for Economic Cooperation and Development (OECD), *OECD Economic Surveys, Hungary 1991*, Paris, OECD, 1991.

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oriented policies to attract foreign investment have greatly contributed to the emergence of new private firms and the privatization of state enterprises.

Hungary's problems in reaching macroeconomic stability have been exacerbated primarily by the collapse of trade with the Soviet Union and with the members of the Commonwealth of Independent States. Hungarian exports to the Soviet Union fell 20 percent in 1990, and were expected to drop a further 55–70 percent in 1991 due to the former Soviet Union's inability to pay.[24] This worse-than-anticipated decline in trade with the former Soviet Union has caused a substantial decrease in production and a sharp increase in unemployment. Government assistance for the unemployed has pushed up the anticipated budget deficit, adding to inflationary pressure and leading to higher interest rates and lower investment.

Thus, the picture with respect to macro stability is still cloudy. The situation in convertible-currency trade appears somewhat better. Hungary enjoyed a slight current-account balance in 1990 and this trend continued through September 1991.[25] Both a surplus in the travel and tourism account and high levels of unilateral transfers from abroad were responsible for these encouraging results. In addition, Hungarian exports to West European countries grew sharply in 1990 and 1991.[26] However, this situation is not completely reassuring, because while Hungary achieved a 1990 convertible-currency trade surplus of $945 million, it suffered a convertible-currency trade deficit of about $1.4 billion for the first nine months of 1991.[27] This reversal was anticipated, because starting in 1991, Hungary began to pay convertible currency for energy and raw materials obtained from the Soviet Union that previously had been purchased on a barter basis and on preferential terms. However, for the following reasons, the deficit may not be sustainable:

- the above-mentioned unilateral transfers may well have come to Hungary from Yugoslavia and the former Soviet Union as "hot money" that is not likely to remain in Hungary for a long time; moreover, that source of funds may well have dried up;
- Hungary's imports have been growing much more rapidly than its exports;[28]
- Hungary faces very heavy debt-service obligations for the next five years.

The nonsustainability of Hungary's trade performance is directly related to the dilemma Hungary faces with respect to its exchange rate. Since 1988, Hungarian wholesale prices have risen much more quickly than those of its trade partners. Thus, even though Hungary periodically has devalued its currency in nominal terms, it is estimated that the forint appreciated 22 percent in real effective terms from January 1990 to December 1991.[29] Since devaluation fuels inflation and raises inflationary expectations, policy-makers in the National Bank of Hungary have consistently opposed periodic devaluations and have hoped that Hungarian productivity gains offset the inflationary differential. However, since there is no evidence that productivity gains will suddenly skyrocket, and given the worrisome trend in import growth versus export growth, further devaluations are expected. This anticipation has added to uncertainty about the macro environment and to fears of continued high inflation.

Failure to bring inflation under control has been at the heart of Hungary's macroeconomic problems because of its negative impact on investment, real incomes, and income distribution.[30] Consumer prices rose 15.5 percent in 1988, 17 percent in 1989, 28.9 percent in 1990, and 35.2 percent in 1991.[31] As late as July 1991, Hungarian authorities claimed that the inflation forecast was 20 percent for 1992; yet, by October 1991, that estimate had jumped to 30 percent (presumably in light of the expected steep devaluation of the forint). So, inflation has increased steadily, and the government does not have a good

[24]National Bank of Hungary (NBH), *Market Letter* (Budapest), No. 7, 1991, p. 3.

[25]The 1990 convertible-currency surplus was US$127 million. *OECD Economic Surveys, Hungary 1991*, op. cit., p. 39. For the first nine months of 1991, the Hungarian National Bank's estimate is $400 million.

[26]For 1990, exports grew 37.2 and 18.5 percent to EC and EFTA countries, respectively. *Statisztikai Havi Közlemények* (Hungarian Monthly Statistical Bulletin), Budapest, Központi Statisztikai Hivatal, No. 4, 1991, p. 30. For the first seven months of 1991, corresponding figures are 38.9 percent and 51.9 percent. Ibid., No. 8, 1991, p. 30. (Beginning in 1991, trade with the former GDR was included under trade with the European Community.)

[27]The 1990 estimate is found in *Külkereskedelmi Statisztikai Évkönyv* (Hungarian Foreign Trade Statistical Yearbook), Budapest, Központi Statisztikai Hivatal, 1990, p. 27. The 1991 estimate is from the Ministry of International Economic Relations.

[28]For the first seven months of 1991, the value of imports grew by 49 percent, while that of exports increased by 15 percent. See *Statisztikai Havi Közlemények*, No. 8, 1991, p. 30.

[29]Hungary devalued the forint by 15 percent in January 1991 and by 5.8 percent on November 8, 1991. The 22 percent real appreciation is derived from OECD analysis (see *OECD Economic Surveys, Hungary 1991*, op. cit., p. 56, fn. 20), and from Hungary's 5.8 percent devaluation in November 1991. The estimate of appreciation is based on comparing movement in wholesale price indicies.

[30]For example, gross fixed capital formation measured in 1981 prices declined by 8.7 percent in 1990. See ibid., p. 29, Table 1. A further decline was expected for 1991.

[31]*Statisztikai Havi Közlemények*, No. 1, 1992, p. 39.

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reputation for accurately predicting future price increases.[32]

The higher-than-expected recorded budget deficits have appeared because government revenue has declined more than expected due to the collapse of trade with the former Soviet Union. Government expenditures have been higher than expected due to financial support for the higher-than-anticipated number of unemployed workers. Moreover, estimates of the recorded budget deficits do not include a substantial implicit transfer to the banking sector because most outstanding government debt is being serviced at well-below-market rates of interest.[33] Thus, the actual budget deficit is much worse than these estimates suggest.

One way to lower the budget deficit is to raise taxes. However, marginal income tax rates and social security tax rates are already high, and they are targeted for reduction during the next few years. At the same time, tax evasion is common, partly because tax rates are so high. For instance, private entrepreneurs often engage in black-market labor in order to avoid the 53 percent social security contribution. In addition, newly formed small firms have been more adept at evading taxes than the state-owned firms they replaced. Consequently, there is great pressure to reduce both marginal rates and tax evasion. As of the end of October 1991, proposals to broaden the income tax base, and to increase value-added tax rates for currently exempt items were under discussion.

The second major characteristic of the transformation of 1990–91 is that foreign investors, bankers, and consultants have been satisfied with government policies, while the Hungarian people have become disenchanted. Investors have been satisfied because Hungary has created laws and institutions that protect and encourage private investment. Moreover, while investors complain about the time-consuming, bureaucratic nature of entering into a joint venture or buying a state-owned enterprise, they always have the option of starting a new firm. This latter option has been particularly attractive, since skilled labor has been readily available at reasonable salaries. In any case, virtually all those who have invested in Hungary have claimed that their actual revenues and profit have been higher than anticipated.[34] Bankers and consultants also have favorably viewed Hungarian progress because their expertise has been in great demand due to the need to determine the value for state assets that are to be privatized.

The Hungarian population, on the other hand, saw GDP fall 4 percent in 1990 and another 7 percent in 1991. Moreover, investment fell 10 percent in 1990 and approximately another 12 percent in 1991. In addition, unemployment is projected to reach 10 percent by spring 1992.[35] So while the government proclaims that the economy will begin to turn around in 1992, the population remains skeptical.

BOTH Berend and Révész describe the policies by which Hungary tried to find a third way between central planning and a market economy. Hungarian efforts in this quest, although becoming more market-oriented over time, produced neither lasting success nor a new approach to consistent government policy-making. Nonetheless, the pre-1989 Hungarian reform process allowed a small private sector to expand, and encouraged policy-makers, economists, and businesspeople to become knowledgeable about the institutions and incentives used in advanced industrial countries to address macroeconomic and microeconomic problems.

Both of these trends along with the failure to find a third way resulted in the development of attitudes that have been supportive of the decision to become a full-fledged market economy. As of the end of 1989, these attitudes included:

- an acknowledgment of the importance that private property plays in creating an efficient economy;
- a belief that government's role in economic life must be reduced;
- a willingness to endure the unemployment and lowered living standards that are generally associated with massive economic restructuring;
- a pragmatic rather than ideological approach to privatization, compensation of former owners, and accommodation of the old *nomenklatura*;
- a keen desire to become part of the European Community and to emulate West European institutions, laws, and standards.

Kornai's proposed program for economic transformation was reflected in Hungarian attitudes at the end of 1989. In addition, Hungary during 1990–91 jumped whole-

[32]The July estimates came from the National Bank of Hungary, and the October estimates were from the Ministry of International Economic Relations.

[33]*OECD Economic Surveys, Hungary 1991*, op. cit., pp. 17–18, 59–61.

[34]This observation is based on interviews and discussions with dozens of investors from Europe, the United States, and Japan during March–October 1991. Although I did not conduct a scientific survey, the response to the question of whether actual revenue and profit was higher than anticipated revenue and profit were overwhelmingly positive.

[35]Figures from *OECD Economic Surveys, Hungary 1991*, op. cit., and presentations made by government authorities at the World Economic Forum's Hungary Forum, Budapest, Oct. 28–29, 1991.

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heartedly into the market arena, establishing new institutions and a new legal system, building respect for private property, encouraging entrepreneurial activity, promoting price and trade liberalization, selling and leasing state assets, and attracting foreign capital, all of which are roughly in line with Kornai's advice. On the other hand, inability to stem inflation stands out as the most important area where Kornai's recommendations are not being followed.

Despite the good news that Hungary's transformation has been fruitful, the situation in mid-1992 is fragile. Inflation, unemployment, budget deficits, a low level of investment, a nonsustainable exchange rate, and heavy debt-service obligations have proven discouraging. One hopes that the Hungarian people will continue to be patient.

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Transitions to Democracy and Markets: The Long Road Ahead

Douglas Steinel

ADAM PRZEWORSKI. *Democracy and Markets: Political and Economic Reforms in Eastern Europe and Latin America.* New York, Cambridge University Press, 1991.

OTTO HIERONYMI. *Economic Policies for the New Hungary: Proposals for a Coherent Approach.* Boulder, CO, Westview, 1990.

FROM 1974 to 1990, the movement toward democracy throughout the world was nothing short of astounding. During these 16 years, 30 democracies emerged in what Samuel Huntington has recently called the "third wave" of democracy.[1] Beginning in Southern Europe in the mid-1970's with Spain, Portugal, and Greece, the movement to democracy shifted to Latin America in the mid-1980's, to Africa and Eastern Europe in the late 1980's, and, finally, to the Soviet Union in the early 1990's.

As of this writing, the third wave continues. Freedom House, an organization that monitors the advance and retreat of democracy throughout the world, reports that nearly one half (91 out of 183) of the world's nation-states are liberal democracies.[2] In a much talked about new book, Francis Fukuyama even argues that inasmuch as liberal democracy stands triumphant and will no longer be challenged, we have reached the end of History.[3]

However, before the proponents of democracy uncork their celebratory bottles of champagne, it is worth considering what followed each of the last two waves of democracy. Huntington tells us that the two previous waves were followed by "reverse waves." The first reverse wave, from 1922 to 1942, cut the number of democracies by more than 40 percent. The second reverse wave, from 1960 to 1975, cut the number of democracies by 15 percent. Given the historical record, the possibility of a third reverse wave, in which some of the newly created democracies revert to authoritarianism, cannot be dismissed.

The key to avoiding a third reverse wave, or at least minimizing its impact, is the success of the dual transition that many of the new democracies are now undergoing. For, simultaneous with their political transformation, the new democracies of Eastern Europe have also been undergoing a transition that involves instituting market forces in economies that were previously subject to bureaucratic control.

Although the two books under review are concerned with these political and economic processes of transition, they differ on two points. First, Adam Przeworski takes a long-term perspective and tries to sketch out the problems of transition to be encountered over the next few decades in all the countries undergoing a transition. Otto Hieronymi, by contrast, is concerned with the short-term problems in one country—Hungary. Second, Przeworski advocates a transition strategy of "shock therapy," while Hieronymi argues for a gradualist approach.

THE book by Przeworski—*Democracy and the Market: Political and Economic Reforms in Eastern Eu-*

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[1] In Huntington's view, the "first wave" began in the 1820's and lasted about a century, creating 29 democracies in the process. The "second wave" began after World War II and lasted until 1962, by which time 36 states were considered democracies. There were 30 democracies in the world as of 1974. Samuel P. Huntington, "Democracy's Third Wave," *Journal of Democracy* (Washington, DC), Spring 1991, pp. 12–34.

[2] *The New York Times*, Feb. 2, 1992.

[3] Francis Fukuyama, *The End of History and the Last Man*, New York, The Free Press, 1992.

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rope and Latin America—is a masterfully clear attempt at synthesizing models of political and economic transition. This synthesis draws upon empirical evidence from transitions in Latin America and Europe over the last two decades and the results of a game-theory analysis of the interaction of the major political forces in a transition setting. Przeworski has done us all a service by clearly stating the reasoning behind game theory and elucidating the conclusions he draws from it without lapsing into the esoterica of methodology.

Przeworski's approach is to analyze the political and economic facets of transition separately, and then to discuss how these two processes interact. He begins by dividing the political transition to democracy into two phases. The first, or extrication, phase involves an opposition effort to liberate the system from authoritarianism. If this struggle is successful, a second, or constitution, phase of transition commences in which the surviving and fragmented political forces contend among each other for dominance.

It is Przeworski's view that the collapse of the authoritarian regime and the holding of subsequent free elections are not sufficient to label the sequence of events as a transition. A true transition requires a consolidated, self-sustaining democracy to emerge. And, says Przeworski, approvingly citing the work of Robert Dahl, this occurs over a time-span that can only be measured in decades, not in months or years. Indeed, only in one case (Uruguay) has a democracy collapsed after moving more than 20 years beyond the extrication stage.

The extrication stage begins with the unstable politics of liberalization. Przeworski's explanation of the source of this instability mirrors Huntington's analysis of the origin of political disorder.[4] That is, during liberalization, groups in civil society become politically mobilized and seek to promote their interests. However, since an authoritarian regime lacks appropriately developed institutions (a multiparty system and an independent legislature with a legitimate opposition) that can adjudicate the clash of competing interest groups, the mobilized groups have no choice but to take to the streets.

Przeworski makes the perceptive point that contrary to conventional wisdom, it is not the lack of legitimacy that threatens dictatorship but the presence of an opposition. When the regime begins to tolerate some form of opposition, it indicates that the authoritarian bloc is divided between reformers (who believe the power base of the regime must be broadened) and hard-liners (who do not tolerate the emerging opposition and want to crush it). The hard-liners generally have their institutional base in the repressive apparatus of the authoritarian bloc (police, censors, etc.), while the reformers look to the bourgeoisie (if there is any) or economic managers for support.

The opposition is divided into two categories as well. They are the moderates and the radicals, and they differ mainly in their willingness to take risks in their confrontation with the regime.

The extrication stage of transition is a complex political poker game among the hard-liners, reformers, moderates, and the radicals. It is in this context that Przeworski uses game theory to analyze the choices and payoffs that confront these players. His analysis concludes that successful extrication depends upon the ability of reformers and moderates to form an alliance in which each of them has an essential task. The reformers must control the hard-liners while the moderates rein in the radicals. In Przeworski's analysis, the reformers have an ironic role to play. If they manage to lead a successful extrication, they will most likely be unable to survive the push and pull of the resulting democratic politics, for they lack a strong political base.

I take the passing of Mikhail Gorbachev from the political scene to be entirely consistent with the expectations of Przeworski's model. Gorbachev simply lacked a base of support, and once the Soviet Union completed the extrication phase with the defeat of the hard-liners' coup attempt in August 1991, he was swept aside as the constitutional phase of transition commenced. Similarly, in the People's Republic of China in 1989, the fate of Zhao Ziyang during the unsuccessful extrication from authoritarianism demonstrates the fate of reformers who fail to rein in the hard-liners. His subsequent arrest and continued detention attests to the risky role played by leaders of the reformist faction.

If Przeworski's discussion of the politics of extrication has a weakness, it is its failure to take into account the impact on the extrication process of power imbalances among the four categories of players. For instance, does not the dynamic of extrication change if the radicals rather than the moderates have a preponderance of power on their side? Admittedly, allowing for the various possible combinations of power imbalances among the four actors during extrication would add a great deal of complexity to Przeworski's model, but I would argue that the model is oversimplified if power imbalances are left out.

[4]Samuel P. Huntington, *Political Order in Changing Societies*, New Haven, CT, Yale University Press, 1968.

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THE demise of the authoritarian structure marks the beginning of the constitution phase in Przeworski's model. The unity of opposition forces was necessary to destroy the authoritarian regime, but once the destruction is complete, this unity must break down. If it does not, there is danger of re-establishing another authoritarian regime. The division of the opposition and the emergence of a contest for power mark the beginning of the bargaining over the creation of democratic institutions. The results of this bargaining are largely a function of the perceptions and capabilities of the political forces, and thus, in contrast to his discussion of extrication, here Przeworski takes power imbalances into account. He examines three scenarios for this stage of the contest.

In the first scenario, the political forces are aware of their relative power, and power is imbalanced. Thus, one should expect the emergence of democratic institutions that are only as durable as the uneven power balance itself. Przeworski cites the French constitutional tradition as a reflection of this power imbalance and describes the French constitutions as provisional treaties.[5]

In the second scenario, political forces are aware of their relative power, and power is roughly balanced. In this scenario, there is the prospect that the newly created institutions will break down and the outbreak of civil war looms large.

Indeed, it looks worryingly like the course that Russia could take if Boris Yel'tsin, because of frustration over the costs of economic transition or because of his poor health, passes from the political scene at a time when the Russian populace is disenchanted with the costs of economic transition. If this happens, Yel'tsin's embryonic political party, Democratic Russia, could lose its dominant political position, leaving room for other nascent political parties in Russia—for example, Eduard Shevardnadze's Movement for Democratic Reform and Vladimir Zhirinovskiy's Liberal Democratic Party—to emerge to complete an equilateral triangle of political power, where each side supports a fundamentally different course of action. Under such a scenario, it would be difficult for Russia's fledgling democratic institutions to adjudicate the differences among these three different political disputants. The very real danger is that politics could then move to the streets, with the end result being civil war or the re-imposition of authoritarianism.

In such a scenario, the interests and sympathies of the army are the key determinant of the outcome. It is Przeworski's belief that if the new democratic institutions are able to avoid this type of violent conflict for about two decades, then a consolidated democracy is likely. But two decades is a very long time for a stable equilibrium to be maintained in such volatile circumstances.

In scenario three, the political forces are unaware of their relative power positions. Przeworski argues that this scenario has the best chance of developing durable democratic institutions, because all of the players will want to maximize their chances of survival by adopting a system of checks and balances that protects minority rights.

Przeworski believes that the key to a democracy surviving in any of the scenarios is the willingness of all the major political forces to comply with electoral outcomes in which some of them will be losers. After all, it is not simply elections that are the hallmark of democracies, but rather elections that have losers who accept their defeat. And this happens only when the major losers are confident that their future will be better if they follow the rules of the democratic game. Once a major political force concludes that its future opportunities have been hindered by democratic institutions, that force becomes a threat to a fledgling democracy.

The weakness of Przeworski's discussion of the three scenarios lies in the fact that a country going down the volatile and long road of political transition can initially resemble one scenario but then undergo changes to the point that the political configuration comes to resemble a different scenario. Forces balanced at the beginning of the process can subsequently become unbalanced. For example, the fragmented balance of political forces in Poland could coalesce to form a few power centers existing in a state of power imbalance. Recognizing the plausibility of this development could shake one's confidence in Przeworski's model.

THE overall excellence of Przeworski's analysis of political transition is mirrored in his fine discussion of economic transition. Przeworski focuses on the right question: Can a political transition to democracy survive the stresses created during an economic transition to a market economy? These stresses are of two kinds: transitional economic costs, which are unavoidable and short-term, and inertial economic costs, which are longer-term and pose a more significant threat to a fledgling democracy.

When a statist economy gives way to a market economy, inflation, unemployment of labor, underutilization of capital, allocative inefficiencies, and changes in resource distribution follow. The key to a suc-

[5]The French do not view their constitution with great authority but understand it to be a reflection of the present allocation of political power among the contending political actors. Therefore, they expect the constitution to change when the balance of political power changes.

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cessful economic transition is to keep these factors from becoming permanent, or "inertial" in Przeworski's terminology.

Inertial inflation can be avoided by containing pressures for wage increases, and taking steps to eliminate monopoly pricing, government deficits, and lags in supplies. Przeworski is largely pessimistic about Eastern Europe's chances of resisting inertial inflation, mostly because of the experience of Latin America, where this kind of inflation, at least up to the time of the publication of his book, was persistent. However, recent victories in the fight against inflation in both Latin America and Eastern Europe give grounds for optimism. Although in 1990, the last year statistics were available to Przeworski, the aggregate inflation rate in Latin America was an appalling 1,200 percent, in 1991 it fell to 200 percent. It is anticipated that during 1992, inflation in Latin America could fall below 100 percent.[6]

Since 1990, Eastern Europe's progress in fighting inflation has been just as impressive. The 70 percent inflation rate in Poland in 1991 was 18 times less than in 1989.[7] However, it must be admitted that the prospect of cutting it further in 1992 has received a serious setback because of large increases in the price of energy, which have prompted growing union restlessness in the face of rising prices and increasing public pressures for greater government welfare spending. The experience of Latin America suggests that this is a critical moment in the Polish economic transition; the failure to resist inflationary pressures was an important factor in making the 1980's a "lost decade" in the Latin American quest for economic prosperity.

In 1991, Czechoslovakia had an even more impressive record in fighting inflation. Under finance minister Václav Klaus, the Czechoslovak inflation rate was cut from 25 percent to zero during the summer of 1991.[8] Also, inflation in Hungary is now about half that in Poland—Hungarian reform appears to have "broken the back of high inflation."[9] These experiences suggest that inertial inflation may be controllable.

Przeworski also argues that an increase in unemployment is inevitable at the beginning of economic transition. Enterprises in command economies notoriously overemployed personnel; thus, layoffs are necessary in order to become competitive. Furthermore, in order to incorporate the transitional economy into the global economy, tariffs will have to be lowered. Once this step is taken, domestic firms will be unable to compete with foreign enterprises and will go under, thus adding to the unemployment rolls. Agriculture, which is highly subsidized, will feel the effects of transition even more acutely than other sectors.

The inefficient allocation of resources, one of the primary weaknesses of a command economy, is expected by Przeworski to continue and worsen during the economic transition. This is unavoidable because these economies lack the expertise and institutions (accountants, stock markets, etc.) necessary for markets to function as efficient allocators of resources.

Finally, some people will inevitably be losers in the changing distribution of wealth and income. Two groups that will be especially hard hit are the former members of the *nomenklatura,* who are without marketable skills, and the many unskilled workers in heavy industrial enterprises.

Given the high costs of economic transition, is there a strategy that maximizes the likelihood that countries will reach the promised land of a consolidated liberal democracy with a market economy? Przeworski examines two general strategies aimed at meeting this goal. One is the "bitter pill" strategy—which calls for the institutionalization of all the paraphernalia of a market economy simultaneously and as rapidly as possible. The other is a gradualist strategy, which seeks to stretch out the pain of transition over a long period of time. Using game theory analysis again, Przeworski argues that the bitter pill strategy is the most rational one to adopt. On the basis of game theory, Przeworski assumes that politicians, technocrats, and the populace will act rationally to maximize their interests. If the voters remain confident that the shock therapy applied by their leaders will lead to a better tomorrow, they will keep these leaders in office. If voters lose confidence in the ability of shock therapy to lead to improved living standards, the leaders will be forced either to slow the pace of transition or abandon democracy. Either way, adoption of the bitter pill strategy will lead to more progress than a gradualist strategy.

Even though Przeworski believes in the rationality of shock therapy during early transition, he realizes that very often transitional leaders will have to back off if the costs become unbearable to the population. The key variable, he asserts, is the public's confidence that the strategy of transition will work and that they will attain higher living standards for having endured the pain it brings. However, as the bitter pill strategy proceeds and people experience the pain of transition, popular confidence in the probability of

[6] *The Washington Post,* Jan. 13, 1992.
[7] *Newsweek* (New York), Jan. 13, 1992, p. 28.
[8] *The Washington Times,* Oct. 26, 1991.
[9] *The Washington Post,* Dec. 16, 1991.

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success will ebb. The challenge for the leaders is to buck up the people's confidence while avoiding vacillation or erroneous forecasts of coming improvement. This is no small trick because regular elections provide people with the opportunity to act on their discontent and leaders a chance to make unwarranted promises. As confidence erodes (and Przeworski thinks it will), leaders may be forced to scale back the pace of reform and travel the gradualist road, at least temporarily. If confidence seriously erodes, the leadership may have to abandon either the economic or political transition.

Among the economic factors having an impact on the success or failure of the transition, the crucial one is the level of economic inequality in the pre-transitional society. Przeworski argues that a country having a highly unequal distribution of wealth before the transition has a higher probability of weathering the storm of the initial transition period than a society with equal distribution and low output. He supports this assertion by noting that a pre-transitional society with unequal distribution can tap the excess resources of the rich to get the population over the hump of the early transition. However, a country that has a relatively equal distribution of wealth in the pre-transition period, with a standard of living just above some minimum level, has no wealth to tap. Under these circumstances, the bitter pill strategy could push much of the populace to the brink of starvation, which will almost certainly bring about a reversal of the strategy.

Such hypotheses lead to rather disturbing conclusions about the probability of a successful transition in Russia. Przeworski cites the work of British sociologist Mervyn Matthews to assert that before Gorbachev's reforms, the average diet for people in the Soviet Union was 105 percent of the minimum caloric requirement. But Soviet agriculture not only failed to improve in the last half of the 1980's but probably has slipped. Many Russians are right at the edge of the minimum daily caloric requirement. They are not in a position to see their nutritional situation deteriorate. Thus, foreign aid in the form of food would seem to be necessary for the economic transition to move forward. Without such aid, it is difficult to see how Yel'tsin could keep economic reform on the fast track.

In the concluding section of his book, Przeworski gives a sobering account of the probable future of Eastern Europe. For those who either believe or wish that in the medium term this region will resemble Western Europe, Przeworski will appear overly pessimistic. He argues that the future of Eastern Europe will more closely resemble Latin America.

If Przeworski's work has any weakness, it is that he gives insufficient attention to the external factors that affect the transition process. As Laurence Whitehead has argued, experience has shown that the dominant regional power can set the terms of transition, as the US has traditionally done in Latin America and the European Community has done for Southern Europe.[10] The international context will have an important impact on the transition process in Eastern Europe, but with the US turning inward, it is difficult to say what the international context will look like in the years ahead.

IN contrast to Przeworski, Otto Hieronymi—in *Economic Policies for the New Hungary: A Coherent Approach*—believes that the bitter pill strategy is not advisable, at least as far as Hungary is concerned. His book is based upon the recommendations of the Budapest Roundtable, a gathering of international experts concerned with laying out the specifics of an economic policy to get Hungary over its current economic problems (in 1990) without hastily accelerating the process of transition and risking a serious setback.

Hieronymi's strategy draws upon the success of the newly industrialized nations of East Asia. It calls for Hungary's integration into the European economy (mainly the Organization for Economic Cooperation and Development—OECD) and into the global economy as a whole. Consistent with this view, he offers five recommendations, three of which address the question of creating structures to fuse Hungary's economy with that of Western Europe.

First, Hieronymi argues, Hungary must fashion a "grand design" or long-range economic plan to transform the Hungarian economy into a "social market economy," which seems very much like a welfare state. That is, it denotes a system based on freedom, individual effort, and private property, with the state meeting those needs left unmet by the market.

Second, Hieronymi calls for the establishment of a temporary Hungarian-OECD Joint Task Force to promote the integration of Hungary into the global economy. The task force would facilitate the active involvement of Western Europe in the Hungarian transition. Hieronymi contends that the more Western Europe is actively involved in the difficult initial phase of transition, the higher the probability of Hungarian success.

Third, Hieronymi recommends setting up a Hungarian-Interna-

[10]Laurence Whitehead, "International Aspects of Democratization," in Guillermo O'Donnell, Phillipe Schmitter, and Lawrence Whitehead, Eds., *Transitions from Authoritarian Rule: Prospects for Democracy*, Baltimore, MD, The Johns Hopkins University Press, 1986.

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tional Long-Term Credit and Development Bank to coordinate the flow of foreign grants, investments, and loans into Hungary. This bank also would be charged with helping to carry out Hieronymi's fourth suggestion—negotiating a debt-adjustment agreement (Hungary carries a foreign debt of more than US$20 billion). Servicing this debt is a major burden on its economy. In 1988, Hungary needed an amount of foreign currency to service its debt that equaled about half the value of the goods and services it exported during that year. Hieronymi's fifth policy recommendation is a grab bag—mount serious programs to fight inflation, promote privatization, set up markets, and reform the Hungarian National Bank.

Hieronymi's points are well taken and reflect the policies implemented by the government of József Antall. With the collapse of the Soviet market, Hungarian enterprises turned their attention to the West and increased their exports there by 18 percent in 1991.[11] Also consistent with his ideas, the government has actively promoted foreign investment. And indeed, investment coming into Hungary in 1990–91 amounted to $2.5 billion—greater than that coming into all the other East European countries combined.[12]

While the evidence seems strong that Hieronymi's approach to transition is working in Hungary, it is questionable whether this strategy could be transplanted to other postcommunist countries. Hungary's economy had long been the least centralized of the socialist countries. Furthermore, the large Hungarian diaspora, and the relatively large number of Hungarians who have spent time in the West have provided Hungary with unique opportunities to build ties with the rest of the world. Countries without these advantages would find the implementation of the Hieronymi strategy much more difficult.

IN the end, what light do these books shed on the future course of the third wave of democracy? Will the postcommunist countries make the transition to consolidated democracies and market economies? Is Fukuyama correct when he asserts that we have reached the end of History? Or is a more sober assessment of the future of these transitional democracies in order, given that each of the previous two waves has been followed by a reverse wave?

The books by Przeworski and Hieronymi help us to envision the future of the third wave in Eastern Europe. Przeworski is pessimistic that the new democracies in this region will, in the foreseeable future, make the transition to prosperous market democracies. He expects the future of Eastern Europe to resemble Latin America's past rather than Western Europe's present. He reminds us that even as we stand at the pinnacle of democracy's success, we must remember that half of the world's people live in undemocratic regimes, and that there are as many poor capitalist countries whose economies must be judged failures as there are rich, successful ones. In Eastern Europe, he expects constant political conflict, in which the losers try to subvert the democratic institutional framework. He fears that the autonomous military establishments will be a permanent threat to democratic institutions. Moreover, the costs of the bitter pill transition strategy will put great strains on these countries; hence, we should expect zigs and zags, with the economic transition falling far short of the blueprints.

But Przeworski fails to take into account the differences among the new democracies of Eastern Europe. His expectations may be accurate for Romania, Bulgaria, Albania, and Yugoslavia; however, the odds for Poland, Czechoslovakia, and especially Hungary do not appear that long. Consistent with Hieronymi's recommendations, Hungary's incorporation into the world economy is making very rapid progress thanks to a growing entrepreneurial spirit and sizable foreign investment.[13] This progress will go a long way toward making Hungary a self-sustaining democracy.

The case of Hungary demonstrates that some of the countries now undergoing transition to consolidated democracies will probably make it. Others probably will not. A reverse third wave of some magnitude is likely given the difficult road that transitional democracies must travel. Fukuyama's History has not yet ended.

[11] *The Washington Post*, Dec. 16, 1991.
[12] Ibid.
[13] Ibid.

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The Soviet Economy and the *Perestroyka* Years

Gregg S. Robins

ANDERS ÅSLUND. *Gorbachev's Struggle for Economic Reform.* London, Pinter, 1989.

ANTHONY JONES and WILLIAM MOSKOFF, Eds. *Perestroika and the Economy.* Armonk, NY, M. E. Sharpe, Inc., 1989.

JOHN E. TEDSTROM, Ed. *Socialism, Perestroika, and the Dilemmas of Soviet Economic Reform.* Boulder, CO, Westview, 1990.

OLIMPIAD S. IOFFE and PETER B. MAGGS. *The Soviet Economic System: A Legal Analysis.* Boulder, CO, Westview, 1987.

PAUL R. GREGORY. *Restructuring the Soviet Economic Bureaucracy.* Cambridge, Cambridge University Press, 1990.

ERNEST RAIKLIN. *After Gorbachev? A Mechanism for the Transformation of Totalitarian State Capitalism into Authoritarian Mixed Capitalism.* Washington, DC, Council for Social, Political, and Economic Studies, 1989.

AS a result of the events of August 1991, the Soviet Union no longer exists. Among the many victims of the failed coup is Mikhail Gorbachev's prized possession—*perestroyka.* The stability of the Commonwealth of Independent States, and indeed of the countries that comprise it, is presently open to question. But the one thing that is clear at this point is that the economic deterioration and corresponding chaos of the former Soviet Union have remained and have perhaps increased in the months since the failed coup.

In writing an essay-review of books published during the *perestroyka* period, we have the all-important advantage of hindsight. We know that *perestroyka* failed. However, we must try to evaluate these works within the context in which they were written, and judge them not by whether they "got it right or wrong," but by how well they treated the period itself. After all, those who write reviews must subscribe to the same standards of evaluation as do the authors. In this respect, the present reviewer makes no claim to possessing a crystal ball.[1]

The vast literature on the *perestroyka* period provides us with more than a glimpse of recent history.[2] It offers us a perspective on the current situation and—of equal importance—it encourages us to take a more critical approach when suggesting remedies to the economic problems left in the wake of the Soviet Union's collapse.

During the chaotic years of *perestroyka,* Soviet citizens were able to survive and cope with the choices offered. Even without such fundamental building blocks of a market economy as clearly defined property rights, market-clearing prices, and labor and capital markets, to mention a few, Soviet citizens displayed entrepreneurial abilities by creating cooperatives,

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[1] One point that is worth making is that the depth and breadth of the Soviet economic problems during the *perestroyka* period were greater than was generally recognized.

[2] In this journal, two earlier reviews treated several other works on the subject. See Martin C. Spechler, "Gorbachev's Economic Reforms: Early Assessments," *Problems of Communism* (Washington, DC), September-October 1989, pp. 116–20; and Peter van Ham, "Soviet Economic Reform and East-West Economic Relations," ibid., January-February 1991, pp. 144–49.

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banks, and commodity and stock exchanges. In this respect, although much attention has been focused on the problem of creating a market economy, and destroying most of what had existed, we should not overlook the achievements of the *perestroyka* period. Although major efforts will be required from policy-makers in the successor-states to introduce certain fundamental market reforms, the actual movers and shakers in the economy will be those who have been—and will continue to be—able to take initiatives and break away from the state structure; indeed, they are the ones who will compete with this structure.

It has also become clear that it is not possible to reform the state socialist system, and thus any plan for a workable "market socialism" must be dispensed with.[3] Although many of the books under review focus primarily on the problems of improving the efficiency of the state structure—through enterprise reform, for example—the true, lasting progress of the *perestroyka* years seems to have taken place outside this structure.

The books address the development of "*perestroyka*" in different ways. Anders Åslund's *Gorbachev's Struggle for Economic Reform* offers a comprehensive account of the origins of the process, the actual policy-making apparatus, and a perspective through which to understand and evaluate the reforms that have already been instituted. The volumes edited by Anthony Jones and William Moskoff and by John Tedstrom look at various aspects of the economic reforms, while the works by Olimpiad Ioffe and Peter Maggs and by Paul Gregory address other significant factors influencing the economy, namely, the legal system and the bureaucracy. The title of Ernest Raiklin's short monograph—*After Gorbachev? A Mechanism for the Transformation of Totalitarian State Capitalism into Authoritarian Mixed Capitalism*—suggests the prescriptive nature of this work, which contrasts with the primarily objective, analytical treatments of the other books.

I want to discuss not only the problems of *perestroyka* addressed by these books but also to elaborate on the progress that was made—despite the obstacles. Drawing upon the lessons of *perestroyka*, I will then discuss Raiklin's book within the context of radical economic change. Finally, I will offer my views on the current economic mess as we brace ourselves for the future.

THE book by Åslund is one of the finest works on the *perestroyka* period.[4] Although the book has much to recommend it, perhaps its most important contribution is the rich information it presents on the institutional background to *perestroyka*. Åslund spent several years in the USSR during which time he acquired a deep understanding of Soviet publications. The book provides a discussion of sources, with an excellent commentary on their usefulness. Moreover, because he had frequent interviews with members of the Soviet policy-making community, he is able to tell us not only what was happening, but also why, and who the relevant actors were.[5]

At the outset, we are given an overview of the 1965 reforms which, Åslund argues, failed due to the absence of:

- the highest political support (Aleksey Kosygin rather than Leonid Brezhnev proposed them);
- urgency (*zastoy* [stagnation] was still hidden);
- a favorable international environment;
- *glasnost'*;
- sound economic theory and competent economists;
- consistency;
- coordination of legislation; and
- any support from the party and state bureaucracy.

Against this background, Åslund observes that the *perestroyka* process was—to a large extent—improvised along the way.

We gain a useful perspective on the radical nature of *perestroyka* when we look at the section on "alternative programs" for reform, which also helps us to understand the conservative forces that were at work when the process began.

[3]However, one attempt to salvage "market socialism" can be found in Włodzimierz Brus and Kazimierz Laski, *From Marx to the Market: Socialism in Search of an Economic System*, Oxford, Clarendon Press, 1989. The authors critically evaluate what socialism is and how it has been put into practice—with particular attention to Yugoslavia and Hungary—while exposing its many problems. They argue that two tenets must be maintained for a system to be called socialist: state ownership and the guarantee of full employment. Given these guidelines, they devise a scenario in which a capital market exists along with a labor market, the latter being maintained through state incentives rather than direct administrative orders to enterprises.

[4]The other work requiring special mention is Ed A. Hewett, *Reforming the Soviet Economy*, Washington, DC, Brookings, 1988. Unlike Åslund's book, which focuses primarily on institutional change and policy-making, Hewett's book provides an excellent analytic framework that enhances our understanding of the initial Soviet reforms. Hewett examines the system as it is supposed to work in theory, and then describes how it actually operates.

[5]Åslund continues to follow the Soviet institutional developments closely. For thorough discussions of recent events, see Anders Åslund, "The Making of Economic Policy in 1989 and 1990," *Soviet Economy* (Washington, DC), No. 1, 1990, pp. 65–94; idem., "Gorbachev, *Perestroyka*, and Economic Crisis," *Problems of Communism*, January-April 1991, pp. 18–41; and idem., "The Soviet Economy After the Coup," ibid., November-December 1991, pp. 44–52.

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Throughout the book, Åslund stresses the significant opposition to reform, which was particularly strong in the early stages.[6] In particular, he believes that the failure to curb the Communist party's influence in the economy was *a* major if not *the* major obstacle to any successful reform. In all, the book continues to be an important tool for specialists in the economies of the successor-states. It teaches us to be more cautious in assessing the current situation and provides a foundation for understanding the origins of the current economic problems in the Soviet Union's successor-states.

OF the two edited volumes, the one by Jones and Moskoff focuses on the earliest stage of *perestroyka*. The book is a collection of essays by Soviet authors that have been translated and reprinted from Soviet sources. Among the contributors, we find some of the most influential economists who were involved in the genesis of *perestroyka*—Leonid Abalkin, Stanislav Shatalin, and Nikolay Shmelev, for example.

The book is particularly useful in depicting the tough ideological opposition to reform during its early stages. For example, it quotes Abalkin's qualification of his criticism of the old system:

[I]n the last 70 years, the Soviet Union has achieved enormous successes both in its economy and in other spheres of life. All our achievements can be attributed to the enormous advantages of the socialist system and the principles of planned economic management. (p. 4)

The chapter by Shmelev is a bit more critical of the economy than the others but lacks clear prescriptions for change, beyond arguing for a slightly more deliberate tinkering process. At least within policy-making circles, ideological obstacles remained strong until they gradually broke down in 1990. Overall, these essays are less important for their contents than for providing a useful indicator of the thinking of Gorbachev's economic advisers, a group that by 1990 included Nikolay Petrakov and Grigoriy Yavlinskiy.

THE collection of essays by Tedstrom offers useful perspectives on the socio-political dimensions of Soviet economic problems by looking at the impact of public opinion on reform. One grand achievement of *perestroyka* was that it allowed the masses to voice their opinions on the state of the economy (and everything else for that matter!). The contributors rightly note that this popular participation both aided the reform process—in that it spurred the center to improve living conditions—and also hindered it—in that resentment developed toward the emerging "nonstate" sector. Even today, when the nonstate sector has gained considerably vis-à-vis the center, there still exists the phenomenon of *uravnilovka* (literally, leveling—the Russian distrust of the economic disparities brought about by the market and, more specifically, of those who are seen to have profited at the expense of their fellow citizens). Most Russians have found the high cooperative prices a hard pill to swallow.

The cooperative movement itself was an achievement of the Gorbachev years, as noted by Tedstrom:

Despite resistance at the grass-roots level, petty bureaucratic foot-dragging, and some all-Union legislation designed to thwart it, the cooperative movement is growing because people are able to free themselves from the traditional reins of the Soviet workplace, express their creativity and initiative, and earn a wage that is more commensurate with their marginal product. (p. 133)

Philip Hanson sees the development of cooperatives as the first step toward a mixed economy. He makes special reference to the need for a capital market, which he considers necessary for a mixed economy. Finally, Hanson provides a detailed examination of legal reform, particularly the issue of ownership. This issue was a particularly thorny one inasmuch as the principle of state ownership was the cornerstone of the centrally planned economic system.

WITH respect to the Soviet legal system, the volume by Ioffe and Maggs provides a complete picture of the law as it is written as well as how it is applied. Ioffe was a member of the Law Faculty of Leningrad State University for more than 30 years, and has written extensively on Soviet civil law. He has always managed to highlight the important features of the lawmaking process, as well as the political aspects of the laws themselves.[7]

Ioffe and Maggs have written an important work that provides us with detailed information about the legal basis of the command economy. In the Soviet Union, many economic transactions fell outside the scope of civil law, the primary regulatory mechanism for Western economies. Most Soviet transactions

[6]Here we can cite the June 1987 Plenary Meeting of the CPSU Central Committee as a dividing line. At this session, Gorbachev strengthened his position and introduced a new, radical economic reform agenda.

[7]Ioffe contributed his standard text, *Soviet Civil Law*, Dordrecht, Martinus Nijhoff Publishers, 1988, to the general series entitled "Law in Eastern Europe," edited by F.J.M. Feldbrugge.

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were, in fact, driven by administrative policy, not economic policy, and were thus covered by an enormous volume of administrative regulations.[8] Ioffe and Maggs rightly observe that Soviet problems could not be solved by laws alone—in contrast to what Soviet policy-makers believed. Moreover, the authors note that the economic and corresponding legal dilemmas represent only part of the problem that confronted Soviet policy-makers: "Economic predicaments, economic stagnation, and even economic regression," they write, "no matter how substantial these may be, have never brought any system of human society to collapse in and of themselves" (p. 310).

As we are now aware, legal reform progressed rapidly in the winter of 1989–90 with the passage of laws on leasing (*arenda*), land (*zemlya*), and ownership (*sobstvennost'*).[9] Still, demonstrating the continued influence of Marxism-Leninism, terms such as "private property (*chastnaya sobstvennost'*) did not appear in any of the new laws. The legal dimension only assumed greater complexity as the issue became not only what the laws actually said but who was bound by them. The so-called "war of laws" between the Union government and the republics and between the republic governments and local jurisdictions became ever more acute before the coup. In the end, new laws and decrees were printed almost as fast as rubles, and carried about as much value.

WHAT if bureaucracy rather than ideology were the main obstacle to reform? Paul Gregory discusses this issue in *Restructuring the Soviet Economic Bureaucracy*. Despite problems with its methodology,[10] the book provides an insiders' account of the bureaucratic structure. Gregory argues that the bureaucracy has been a major obstacle to reform for the many reasons we have come to be familiar with. If this is the case, then the future of any economic change in the Soviet Union's successor-states will be wrought with difficulty. Though perhaps to a lesser extent and under a different name, the state sector and the *nomenklatura* still retain the resources and influence that ensure their continued domination of the economy. Moreover, privatization will be a far lengthier process than is generally acknowledged.

However, in a recent investigation of the development of financial markets in the USSR, Joel Hellman has concluded that bureaucrats are not opposed to change but are supportive of reforms, since they possess the necessary means to take advantage of them.[11] If we look at the development of the commercial banking sector in the USSR, Hellman argues, we find that initially these banks were established by bureaucrats themselves, not by entrepreneurs interested in what in the West is considered true financial intermediation.[12] Hellman's paper is an important contribution to our understanding of why so much change was possible even given the pervasive nature of the Soviet bureaucracy.

ALTHOUGH the bureaucrats were the initial players in the creation of a commercial banking system, this system continued to grow rapidly during the *perestroyka* years and came to be something more than what it was originally intended to be—an extension of large state enterprises. Commercial banks grew in size and in their ability to offer a wider range of services. By the end of 1990, there were 1,366 such banks in the USSR,[13] and they had managed to take advantage of new joint-stock opportunities to substantially increase their assets.[14] Thus, alongside the cooperative sector, which represented the beginning of a retail market to rival the state mechanism, there was an em-

[8]The debate over civil versus administrative law is not new. It stems from the legal debates in the 1920's when Yevgeniy Pashukanis proposed his "commodity exchange theory of law." In general terms, civil law concerns horizontal relations, protecting private property (and thus the individual) from the state. Administrative law concerns vertical relationships and thus strengthens the state's hand in commanding the economy.

In the past few years, because of the growth of private economic activity, there has been a large amount of new civil legislation. See Philip Hanson, "Re-inventing the Law of Contract," RFE/RL Research, *Report on the USSR* (Munich), July 17, 1991.

[9]The law on leasing, *Ekonomicheskaya Gazeta* (Moscow), No. 49, December 1989; the law on land, *Izvestiya* (Moscow), Mar. 6, 1990; and the law on ownership *Pravda* (Moscow), Mar. 10, 1990.

A recent detailed study on the development of property rights in the USSR with attention to the overall legal reform can be found in Philip Hanson, "Property Rights in the New Phase of Reform," *Soviet Economy*, No. 2, 1990, pp. 95–124. My article, "The Development of Entrepreneurialism in Gorbachev's USSR," *The Oxford International Review*, No. 1, 1990, pp. 24–28, also looks at the recent legislation.

[10]The book draws its materials from the Soviet Interview Project—interviews with former Soviets who emigrated to the US in 1979–84. As a result, the results can hardly be seen as representative due to the (relatively) small number of interviewees and their obvious biases. Indeed, the author recognizes the limitations of the study, calling it a "personal account of the Soviet economic bureaucracy" (p. 11).

[11]Joel S. Hellman, "Breaking the Bank: The Political Economy of Banking Reform in the Soviet Union," discussion paper, Department of Political Science, Columbia University, February 1991.

[12]These banks were termed "pocket banks," since they were considered to be in the pockets of the agencies that created them.

[13]Vladimir Yevstigeyev, "The Banks Are Multiplying Like Mushrooms," *Rabochaya Tribuna* (Moscow), Mar. 5, 1991.

[14]Without the ability to sell stocks, the banks would have been dependent solely on appropriations from the state budget. By being able to sell shares, which resembled bonds, they gained access to private and enterprise capital. See Ivan Kokoshin, "Commercial Banks Go Joint-Stock in Droves," *Commersant* (Moscow), July 22, 1991.

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bryonic capital market and clear signs of competition between the commercial banks and the state banks. This growing competition was manifest in a vast advertising campaign—both in the official and unofficial press—undertaken even by the state banks, especially by the savings bank (Sberbank).

The rise of the commercial banks was due to the inefficiency of the state banking system. The state banking system, consisting of five specialized banks that were created as a result of the 1988 banking reform, were put on a *khozraschet* (cost-accounting) basis a year later, only to be slowly turned into joint-stock companies in 1991.[15] The frequent policy changes with respect to the state banks demonstrated that the center was not satisfied with their performance vis-à-vis the commercial banks. The fragmentation of the specialized banks has been dramatic, leaving us to wonder whether it occurred despite or perhaps because of the center's policy initiatives.

The emergence of commodity exchanges in the USSR marked the beginning of a wholesale market, thus providing an opportunity for the commercial banks to expand their operations. The exchanges were an important development not only because they provided an alternative to the state allocation mechanism but because they proved capable of accomplishing what the state sector was no longer able to achieve: they were able to cooperate across republic lines—agreements were regularly made between the exchanges, branches were established, and clearing arrangements were undertaken. The commercial banks quickly recognized the opportunities presented by this exchange activity. For example, a struggle emerged between the Russian National Bank, which gained the consent of some 25 exchanges to form an all-Union clearing mechanism,[16] and the All-Russian Exchange Bank. USSR Gosbank meanwhile remained silent on whether it would permit such a large-scale nonstate mechanism to exist.

In short, during the *perestroyka* period a new set of actors arose in the economic system to compete with the bureaucrats and party officials. Cooperatives, banks, exchanges, brokerage firms, etc., represented the beginnings of a market in the USSR. Moreover, these actors were also able to develop institutions to support their positions. For example, bankers formed two unions that not only regulated behavior within the commercial banking sector but also protected their interests vis-à-vis the state and the general population (let us not forget the anti-cooperative movement). The exchanges formed a congress that increased their power in a short period of time and even asked President Gorbachev to allow their representatives to be present at the 1991 G-7 meeting. The request was denied.

IN 1990, events were moving rapidly, and the agenda quickly became one of completely overhauling the economic system rather than simply reforming it. This is the central issue in Ernest Raiklin's book, which represents a brave attempt to tackle a complex, largely unresolved problem. To its credit, the book raises the issue of systemic transformation. Yet, the premise of the work seems fatally flawed. "The capitalist nature of the Soviet economy," writes Raiklin, "makes it no different from that of, for instance, the developed industrial countries" (p. 2). He argues that any situation in which goods are exchanged (what he calls "commodity production") constitutes capitalism. In addition, he believes that the goal of the Soviet institutional arrangement was the same as in a market economy—namely, "to provide a mechanism enabling sellers and buyers to translate their abilities and desires into actions" (p. 5). Raiklin is indeed referring to the state sector of the economy and not necessarily to the nonstate sector, in which, I have argued, certain signs of market-oriented activity were apparent. Westerners understand a market as a system in which agents interact with the freedom of entry and exit and exchange information on the basis of such signals as prices. Viewed in this way, the state economy was certainly not a market economy.

Raiklin also makes other assertions that are at odds with the reality of the Soviet system. For example, he says that "The USSR is already one of the most developed countries in the world" (p. 18). Such statements indicate that Raiklin has failed to understand the extent and depth of the task at hand. As a result, he frequently oversimplifies possible solutions, often basing them on false premises (for instance, assuming that the savings of the population are contained solely in the Sberbank, thus overlooking the rubles stuffed in mattresses, not to mention stashes of hard currency).

Whatever the shortcomings of Raiklin's book, he does offer a plan to transform the economy. A com-

[15]These banks were: (1) Vneshekonombank—the USSR Bank for Foreign Economic Affairs; (2) Promstroybank—the USSR Industrial and Construction Bank; (3) Agroprombank—the USSR Agro-Industrial Bank; (4) Zhilsotsbank—the USSR Bank for Housing, Communal Services, and Social Development; and (5) Sberbank—the USSR Savings and Retail Credit Bank.

[16]Alex Loktev, "Russian National Bank Hopes to Create Inter-Exchange Network," ibid., May 20, 1991.

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mon (and indeed fair) criticism before the summer of 1990, and indeed one that is found in the books under review, was that Soviet policy-makers lacked a grand vision to reform the system, a "plan" of some sort. However, since Prime Minister Nikolay Ryzhkov introduced his plan to create a "regulated" market economy,[17] there had been numerous plans for revamping the Soviet economy—the Shatalin "500-day" plan being the most widely discussed, although ultimately it was rejected. Indeed, a recent *Economist* article wryly notes that "The Soviet Union's extraordinary capacity for producing, revising, synthesizing, and discarding economic plans is causing blurred vision among Western observers."[18]

SINCE August 1991, we have seen a new phase of change in the economy, one that is more far-reaching than its predecessors.[19] This new era of transformation economics will doubtless trigger a wave of publications similar to that which appeared during the *perestroyka* years. I would like to offer some concluding thoughts on the new era.

First, if we have learned anything at all from the experience of *perestroyka,* it is that the task at hand is multidimensional, and will require a monumental effort to put the necessary components together. Laws in and of themselves will do little unless they are accompanied by enforcement mechanisms (enactment is the easy task), a population that is prepared to abide by them, and a government that is prepared to be bound by them. Moreover, while the existence of a coherent plan is a necessary condition for systemic change, it is not a sufficient condition. A plan that seeks to bring about stabilization and restructuring at the macro level will only be successful if it can affect the behavior of economic agents at the micro level.

Second, any systemic transformation must address the goals for the economy. In the Soviet Union's successor-states, the goals seem to be both short-term and long-term in nature. In the short term, stabilization requires feeding the population and beginning reconstruction—itself a long-term task. The *perestroyka* years witnessed a rapid deterioration in the Soviet infrastructure with capital construction (and investment) declining dramatically. In the longer term, the structural reform could include the creation of full-scale markets. But we must remember that the short-term tasks are crucial and that a true market economy—despite the encouragement of Western institutions and economists—is many years away.

The problem is that the destruction of the state allocation mechanism will likely prevent these immediate needs from being met. For example, the commercial banking sector has concentrated almost exclusively on short-term lending. Given the absence of established secondary—stock and bond—markets for obtaining long-term funds, the state allocative mechanism could fill the void and thus play a crucial role in the transition period.[20]

Finally, the lessons gained from the books under review, and indeed from the *perestroyka* itself, are that those of us who study the Soviet Union and discuss policy issues should carry on with cautious optimism. Between 1985 and 1991, there were dramatic changes in the Soviet system, changes that would have been unthinkable not too long ago. Moreover, the Soviet population demonstrated its ability to respond to change by taking economic initiatives, albeit on less than a grand scale. In short, what János Kornai calls "The Road to a Free Economy" will be paved with many surprises. For better and for worse, they and will continue to present new challenges for those of us who seek to understand the changes under way.

[17]N. I. Ryzhkov, "On the Economic Situation of the Country and the Conception for the Transformation Toward a Regulated Market Economy," *Izvestiya* (Moscow), May 25, 1990.

[18]"Free Fall," *The Economist* (London), Sept. 28, 1991, p. 107.

[19]Perhaps the best concise account of how this process of systemic change ought to unfold is János Kornai, *The Road to a Free Economy,* W. W. Norton and Company, New York, 1990.

[20]The state allocation mechanism played a crucial role in the postwar German and Japanese economies.

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China's Global Role

Steven I. Levine

A. JAMES GREGOR. *Arming the Dragon: U.S. Security Ties with the People's Republic of China.* Washington, DC, Ethics and Public Policy Center, 1987.

HARRY HARDING. *China and Northeast Asia: The Political Dimension.* Lanham, MD, University Press of America, 1988.

HARRY HARDING. *A Fragile Relationship: The United States and China Since 1972.* Washington, DC, The Brookings Institution, 1992.

RONALD C. KEITH. *The Diplomacy of Zhou Enlai.* New York, St. Martin's Press, 1989.

LO CHI KIN. *China's Policy Towards Territorial Disputes: The Case of the South China Sea Islands.* London, Routledge, 1989.

DAVID SHAMBAUGH. *Beautiful Imperialist: China Perceives America, 1972–1990.* Princeton, NJ, Princeton University Press, 1991.

ALLEN S. WHITING. *China Eyes Japan.* Berkeley, CA, University of California Press, 1989.

IN August 1989, driving along Interstate 40 in eastern Tennessee, I passed an 18-wheeler bearing the message "Boycott Chinese goods!" spray-painted in two-foot-high black letters on the back of the trailer. Obviously outraged by the June 4 Beijing massacre, an unknown American trucker had felt moved to write the slogan on the back of his rig. This was not long after US National Security Adviser Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger returned from the first of two top-secret missions to Beijing on behalf of President George Bush, who was trying very hard to prevent the total collapse of US-China relations. When I heard about the Scowcroft-Eagleburger mission, I recalled the truck and thought how interesting it would be to eavesdrop on a conversation between the unknown American trucker and the two high-ranking officials. Not very often does the subject of US-China relations penetrate the consciousness of the American people as it did back then. China has since receded from public view, but the annual battle between Congress and the President over the question of extending China's Most Favored Nation (MFN) trade status is proof that Washington's China policy remains controversial.

Well before the upheavals of 1989, significant cracks had appeared in the foundation of US-China relations. Beginning in the mid-1980's, the rapid ebbing of the Soviet threat, which had provided the ideological basis for Sino-American relations ever since President Nixon's 1972 journey to Beijing, exposed a number of contentious human-rights and trade-related issues between the United States and China. Everywhere, not just in the United States, the transformation of the global landscape since 1989 raises the fundamental question of what role or roles China will play in the post–cold war world.

Given the enormous changes in world politics, is there any point in reading books on Chinese foreign policy that were published in or before 1989? Should all books on contemporary affairs perhaps bear an expiration date like the perishable

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products in a supermarket display case? Or, if not an expiration date, then a notice saying "Best if read by such and such a time."

As it happens, the date of publication tells us nothing about whether a particular book is worth reading or not. The first two items in our reviewer's grab bag, both published before 1989—A. James Gregor's *Arming the Dragon* (1987) and Harry Harding's *China and Northeast Asia* (1988)—retain their interest for opposite reasons. The former, which focuses on an issue that has lost all currency, confirms how rapidly things have changed in the past few years. The latter reminds us that in certain fundamental respects, less has changed than we might initially be inclined to believe.

Gregor's slim book (128 pp.) is a useful point of departure. The question he addresses is whether the United States should help China enhance its military power in order to counter the Soviet threat more effectively. Let us forget for the moment that his topic is now a dead issue, and consider his argument as if it were not. Gregor takes for granted what was then the conventional wisdom, namely, that the Soviet Union poses an acute military threat to its neighbors and rivals. Indeed, he argues that so great is the disparity between Soviet and Chinese military power that no realistically conceivable amount of American military assistance to China could redress the imbalance between Moscow and Beijing. He demonstrates this by inventorying the weaponry in the Soviet and Chinese arsenals with the enthusiasm that a clerk, working on commission in a hardware store, displays in greeting free-spending customers. Gregor concludes that China would inevitably lose any military confrontation with the USSR.

But would a Sino-Soviet détente, which was taking shape when Gregor wrote, reduce the overall Soviet threat? No, he argues, because the Soviet military buildup is actually not directed against China but against the United States, and will continue whatever the state of Sino-Soviet relations. Thus the way to deter Soviet aggression is through a US military buildup such as in fact took place during the Reagan years.

In this roundabout fashion, Gregor draws closer to his central concern. By "arming the dragon," Washington vainly hopes to maintain good relations with Beijing and induce Chinese leaders to act responsibly toward their neighbors (p. 63). But this is a delusion. Gregor anticipates the post-Tiananmen mood of US-PRC relations by stating that "the ultimate interests of the People's Republic of China, *as defined in its ideological commitments*, are largely antithetical to those of the United States" (p. 91, emphasis added). US arms transfers to Beijing enhance the threat China ("Communist China" as he often calls it) already poses to its noncommunist Asian neighbors, especially to Taiwan (the Republic of China). At the very end of his book, Gregor finally makes the pitch he has been leading up to all along: a plea for the sale of advanced American arms to Taiwan as the cornerstone of a stable security policy for East Asia. This twist will surprise only those readers who are unfamiliar with Gregor's frequent role as a sophisticated advocate for ROC military hardware requests.

By now, of course, the Soviet military threat in the Far East has vanished, and even though the PRC still poses a significant threat to Taiwan's security, the two Chinese antagonists have recently been groping toward a more cooperative relationship. As of this writing, the ban on American arms sales to China, imposed after Tiananmen, remains in place, and is unlikely to be rescinded any time soon. Nevertheless, Gregor's book remains useful because he raises what is still the central question: "How will China behave toward its Asian neighbors and the world as its power increases?"

Harry Harding's 82-page pamphlet, *China and Northeast Asia*, is one of many public-education-oriented Asian Agenda Reports published in recent years by The Asia Society. The outgrowth of an elite seven-person study mission (also known as an academic junket) to Northeast Asia in the fall of 1985, it is a skillful tour d'horizon of China's relations with its Northeast Asian neighbors. This is the kind of report that one immediately associates with the name of Robert A. Scalapino, one of the few surviving *genro* (elder statesmen) of East Asian studies in the United States. Indeed, it was Scalapino who headed the aforementioned study mission and wrote a companion Asian Agenda Report entitled, *Major Power Relations in Northeast Asia*. Harding's authorship of the China report is a small sign that the baton of leadership is passing from an older to a younger generation of American East Asianists.

If one had to use only a single word to describe Harding's many writings on China, that word would be "judicious." This pamphlet is no exception. He has the rare knack of making the conventional wisdom actually seem wise rather than merely soporific. The conceptual clarity and impressive mastery of detail on display in his book *A Fragile Relationship* (see below) are evident on this smaller canvas as well.

Sharing the then prevailing optimism of most Western specialists about China's future, Harding writes that "For the first time in its history, China is governed by an effective, consolidated government

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that has identified economic modernization as its highest priority" (p. 16). Therefore, in its foreign relations China seeks the stability of a peaceful international environment, and pursues a flexible, pragmatic foreign policy that Harding sums up as one of "omnidirectional peaceful coexistence" (p. 13). Despite movement toward Sino-Soviet détente, he believes China will continue to view the Soviet Union as its principal strategic rival in Asia, but at the same time will discount the prospect of military confrontation primarily because of the Soviet-American strategic stalemate. After crisply reviewing China's relations with Japan, the two Koreas, Mongolia, Taiwan, and Hong Kong and Macau, Harding concludes that despite signs of resurgent Chinese nationalism, China will continue to progress along its modernizing road and steadily grow into its role as a major world power.

Only with respect to Japan, and then only in passing, when he refers to Sino-Japanese relations as "somewhat fragile" because of the burden of history, does Harding touch upon the notion of fragility that becomes the central theme of his more recent book on US-China relations. In *China and Northeast Asia,* he provides a cautiously optimistic prognosis for Sino-American relations based on the premise that the interests the two share outweigh their differences:

This important fact will make it increasingly possible for the two countries to act in parallel or collaborative fashion on those issues in which they have similar objectives, and to manage their remaining differences in a mature and responsible fashion. If this can be done, then Sino-American relations may well enter a new stage featuring growing trust and cooperation. (p. 68)

Unhappily, things have not worked out this way.

Were there any observers who foresaw the sea change in the US-China relationship that the events of 1989—the Chinese democracy movement, the Beijing massacre, and the collapse of East European communism—precipitated? It seems doubtful. One cannot demand prescience from analysts of international affairs, but only a willingness to consider alternative futures. Here Harding cannot be faulted. Ever thoughtful and cautious, he is well aware of the side currents as well as the main currents that form the bases for his forecasts.

If there is a systemic rather than adventitious cause for Harding's inaccurate projection of post-1989 US-China relations, it lies in a latent tendency toward excessive optimism expressed in the assumption that in a modernizing, reform-minded China, the rationality of economic imperatives will usually triumph over the uglier calculations of politics. With respect to Hong Kong, for example, even though he notes some clouds on the horizon, his forecast is sunnier than warranted. In the years since the publication of Harding's pamphlet, Beijing, dismayed at the specter of municipal democracy in Hong Kong, has exacerbated the city's post-1997 anxieties by muscling in on the dwindling prerogatives of a weak-kneed British administration.

IS Harding's 1988 characterization of the PRC as a reform-minded, modernizing regime out-of-date? Not really, as Harding himself argues in *A Fragile Relationship*. Nonetheless, the uncertainties of elite-level Chinese politics, the de facto decentralization of economic and political power, the growing weight of the market, and the collapse of European communism have altered the dynamics of political and economic power in China and inevitably raised many questions about the country's future.

What of Harding's statement that Beijing practices "omnidirectional peaceful coexistence?" Has China's policy changed in response to the transformation of international politics? Again, the answer is not really. Within the past few years the PRC has normalized relations with India, Indonesia, Vietnam, and the former Soviet Union, and largely overcome the diplomatic isolation and financial quarantine that were the short-term consequences of the Beijing massacre. It is only with its domestic critics—the living and the dead—that Beijing seems unable to coexist peacefully.

Why, then, are there still so many uncertainties about China's future course both internally and internationally? Part of the reason, of course, inheres in China's status as the last of the great communist dinosaurs—Tyrannosaurus leninensis. The revolutions that struck Eastern Europe with the force of an asteroid from outer space, wiping out the communist regimes from the Elbe to the Pacific, narrowly spared the PRC. Only time will tell whether Chinese communism has been granted a new lease on life or merely a reprieve.

Even if we ignore the preceding question, the convoluted history of modern China and the international behavior of the PRC since 1949 suggest reasonable doubts about the notion that China will follow the trajectory of a peaceful, modernizing, rational, pragmatic, great power. These doubts center on several different points.

First is whether these concepts have the same meaning in China that they do in the rest of the world, a question raised in Ronald Keith's generally disappointing *The Diplomacy of Zhou Enlai*. Unfortunately, this book, which is basically a de-

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scriptive narrative of Maoist-era Chinese foreign policy, does not really analyze Zhou's diplomacy at all. A revered figure in China, Zhou, in his later years, was also the recipient of a degree of Western adulation such as is accorded very few public figures. Known for his indefatigability and intellectual brilliance, he was admired by people as far apart politically as American New Leftists and Henry Kissinger for such apparently incompatible traits as devotion to revolutionary principle on the one hand and pragmatism and flexibility on the other. The reputation of Zhou, who was widely considered the most attractive personality among the circle of courtiers who surrounded Chairman Mao Zedong, has thus far escaped the acid bath of historical revisionism in which the Great Helmsman and many of his other cronies have been periodically plunged.

Keith takes his place in the crowd genuflecting before Zhou's icon, depicting this most talented of Mao's collaborators exclusively in his persona of brilliant statesman, and entirely disregarding the less attractive role of supple sycophant that Zhou also successfully played throughout much of his career. Keith excuses Zhou's dubious behavior during the Cultural Revolution, lamenting that "despite all of his political brilliance, [Zhou] was himself politically reduced to passive maneuvering to achieve some modest degree of damage control." (p. 180). One might note that he did this by practicing a kind of brutal political triage that involved personally condemning and sacrificing many of his erstwhile close comrades while saving a chosen few. Perhaps we are supposed to admire his "revolutionary realism."

Be that as it may, Keith's point is that Westerners like Kissinger fundamentally misunderstood those qualities of Zhou that they most admired, particularly his flexibility and pragmatism. Rather than being rooted in the Western concept of the balance of power, which was Kissinger's intellectual Magna Mater, Zhou was a "diplomat for revolution" who "was keenly interested in the use of power to achieve principle" (p. 1). Keith rightly insists that "The conceptual roots of Zhou's realism did not lie in Europe. They originated in Chinese revolutionary praxis . . ." (p. 183). Further, "Zhou's realism was a matter of formal ideological conception which drew on the practical experience of united front politics" (p. 208). Thus, instead of being merely the personal traits of "The Elastic Bolshevik," or "The Rubber Communist," as Zhou was unflatteringly dubbed prior to his apotheosis, his flexibility and pragmatism were elevated onto the high plane of revolutionary strategy and tactics.

This viewpoint leads Keith toward an excessively reverential (and naïve) treatment of Chinese foreign policy in which the lofty principles used by Chinese leaders to cloak their actions—like wrapping day-old fish in silk—are taken at face value. In this reading, China becomes the champion of one or another righteous, usually Third World, cause that the status quo powers resist. Unfortunately, there is anecdotal evidence that even during the Maoist era, the Great Helmsman himself, and Zhou, his bosom boatswain, had a somewhat cynical view of the principles they piously espoused, viewing these as something on the order of useful fables to attract the innocent. In *Beautiful Imperialist,* David Shambaugh provides ample circumstantial evidence from Chinese discussions of the United States that the closer one gets to the seats of power in post-Mao China, the less currency do Marxist-Leninist ideological formulations enjoy. Tellingly, they are mostly fodder for academics who think they are gorging on banana cream pie when their bowls are actually filled with puffed rice.

Chinese leaders, no more than anyone else, do not like being accused of hypocrisy. This may be the real key to the importance of their formal foreign policy conceptions, including the sacral Five Principles (mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in each others' internal affairs, equality and mutual benefit, and peaceful coexistence). The larger point is that China, like any great power, defines such concepts as peace, pragmatism, human rights, and rationality in ways that accord with its own interests rather than accepting some abstract, universal yardstick that can be used to rap it on the knuckles when it offends some segment of the international community.

A SECOND doubt sometimes voiced about China's peaceful intentions stems from its sweeping claims to the South China Sea islands—the Paracels and the Spratlys (Xisha and Nansha islands) as well as a number of other islets and reefs. These territories are also claimed, in whole or in part, by Taiwan, Vietnam, Malaysia, and the Philippines. Beijing also claims the uninhabited Diaoyu (Senkaku) islands northeast of Taiwan that Japan asserts are its rightful territory. In a swift naval operation in January 1974, the PLA Navy seized the Paracels from the anticommunist government of South Vietnam. More recently, minor clashes between Chinese and Vietnamese naval vessels have taken place near the Spratlys.

Lo Chi Kin's *China's Policy Towards Territorial Disputes* is a meticulous and well-documented scholarly study of Beijing's policies toward the South China Sea islands

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based on the author's 1986 doctoral dissertation. Lo takes issue with what he calls the "irredentist interpretation" of China's territorial policy, by which he means the idea that the PRC invariably pursues the recovery of lost territories through aggressive means, including the application of force. His ably argued counter-thesis is that strategic concerns, particularly with respect to the superpowers, have motivated Beijing's policy with regard to the South China Sea islands.

Lo connects the seizure of the Paracels in 1974 to growing Chinese concerns over North Vietnamese strategic cooperation with the Soviet Union in the context of deteriorating Sino-Vietnamese relations. China turned aside Hanoi's claim to sovereignty over the Paracels and Spratlys after 1975, although it was not until the total breakdown of Sino-Vietnamese relations three years later that the dispute broke into the open. Thereafter, China fortified its military position on the Paracels and conducted annual military exercises in the South China Sea. (Unfortunately, Lo's book lacks even a single, simple map, so the reader would do well to have an atlas at hand.) Where strategic interests were not involved, as in relations with Malaysia and the Philippines, Beijing has reiterated its claims of sovereignty but refrained from using or threatening the use of force to back up its assertions.

More recently, the disappearance of the Soviet naval threat to China's maritime interests coupled with the normalization of Sino-Vietnamese relations has changed the geopolitical equation in the South China Sea. It has also marginally improved the prospects for joint development by China and Southeast Asian countries of ocean resources (including offshore oil), a project that Beijing has expressed an interest in from time to time. However, it seems likely that China's growing naval assets, including long-range naval aircraft, aerial refueling capabilities, and carrier-based helicopters, will eventually sharpen the tension between China and its Southeast Asian neighbors over territorial claims, and increase the likelihood that China will eventually employ its military assets to enforce its sovereignty claims over the South China Sea islands.[1]

IN Western scholarly literature, China's relations with Japan have received far less attention than their importance warrants.[2] Allen S. Whiting, who has contributed more to the study of Chinese foreign relations than anyone else, helps fill this gap with another of his typically innovative and thought-provoking studies, *China Eyes Japan*, which focuses on the period 1982–87. Whiting's book emphasizes the salience of history as a factor in China's foreign relations. This is expressed in the saying that Whiting heard often in China during his research: *qianshi buwang, houshi zhishi* (past experience, if not forgotten, is a guide for the future). Unfortunately, as Whiting clearly demonstrates, Chinese preoccupation, if not obsession, with the unhappy history of their relations with Japan in the first half of this century stands in the way of working out a positive relationship for the present and future. Nations must be able to forget history as well as remember it.

Whiting takes us well beyond the unitary-actor approach to foreign relations into the realm of Chinese elite and popular perceptions. On the basis of extensive interviews in China in 1986, he asserts that these perceptions play a crucial role in influencing Chinese interactions with Japan. At the center of his argument is the tension between two conflicting sets of Chinese perceptions. One set encompasses positive Chinese perceptions of Japan as a developmental model and economic partner for China. The other comprises widely prevailing negative perceptions of Japan as a ruthless historical enemy whose contemporary prosperity justifiably arouses resentment and anxiety. The result of these two intersecting sets of images is a relationship in which Chinese ignorance of contemporary Japan, coupled with misunderstanding, suspicion, and hostility, periodically poison the well of Sino-Japanese cooperation and make official protestations of friendship difficult to achieve in practice.

Whiting's study suggests that public opinion, usually ignored by students of Chinese foreign policy, is also a significant factor, at least in China's relations with Japan. The anti-Japanese student demonstrations of 1985, for example, were a genuine expression of popular resentment that embarrassed the leadership. Whiting blames the authoritarian Chinese government and official media for failing to communicate to the Chinese public an understanding that Japan is a pluralistic society with a democratic polity. In the absence of such understanding, even the most trivial example of "unfriendly" Japanese behavior toward China by political marginals such as right-wing fanatics can stir deep-seated Chinese suspicion and hostility.

Not surprisingly, Whiting's fore-

[1]See Robert A. Ross, "China and Post-Cambodia Southeast Asia," in Allen S. Whiting, Ed., *China's Foreign Relations*, The Annals of the American Academy of Political and Social Science, Vol. 519, January 1992, pp. 65–66.

[2]There are some fine books, e.g., Chae-Jin Lee, *China and Japan: New Economic Diplomacy*, Stanford, CA, Hoover Institution Press, 1984; Marius. B. Jansen, *Japan and China: From War to Peace, 1894–1972*, Chicago, Rand McNally College Publishing Co., 1975; Akira Iriye, Ed., *The Chinese and the Japanese: Essays in Political and Cultural Interactions*, Princeton, NJ, Princeton University Press, 1980.

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cast for the future of Sino-Japanese relations is subdued. He sees little prospect for significant security cooperation, foresees a diminished role for Japan in China's economic modernization, and predicts Sino-Japanese rivalry for influence in Asia. In a recent article, however, he is decidedly more optimistic, arguing that since Tiananmen, Japan's attitude toward China has been more sympathetic than that of any of the other major powers, and that this has produced a more favorable environment for Sino-Japanese relations than has existed at any time since 1972.[3]

WHILE Whiting finds the Chinese poorly informed about Japan in the mid-1980's, David Shambaugh is mildly encouraged by what he says is the increasing sophistication of China's approximately 600 to 700 America Watchers—the focus of his absorbing and thoroughly researched *Beautiful Imperialist*. The Chinese specialists in American affairs are an elite group that serves in leading universities, government-sponsored policy-oriented think tanks, and the research departments of central government ministries. Displaying the perseverance of a uranium miner, Shambaugh has sifted through vast quantities of open as well as restricted-circulation Chinese writings on the United States. One of his central theses is that ". . . China's increasingly complex behavior toward the United States in this period . . . [is] a function of the increasingly complex images the America Watchers hold and the perceptions they articulated to those policy makers who shape and guide China's America policy" (pp. 34–35). But he admits that only those Americanists in the central government bureaucracy and affiliated research institutions are likely to have any real input into policy, and that on the whole "Chinese understanding of the United States remains shallow and seriously distorted" (p. 41). The latter point is most evident from the bizarre Chinese academic writings on American politics that purport to explain everything in terms of the competition among the 11 different monopoly financial groups (*longduan caituan*)—including the Morgans, Rockefellers, and the Du Ponts—that supposedly directly control the political superstructure of American capitalism.

Shambaugh's optimism comes from his finding that this kind of reductionist Marxism (which he labels Stalinist) is gradually yielding to more sophisticated Marxist analyses of the United States by people he labels "Leninists." (I find these particular labels as well as Shambaugh's overall taxonomy somewhat misleading. "Stupid Marxists" and "smart Marxists" might better describe his "Stalinists" and "Leninists.") Most heartening of all to Shambaugh is the rise of what he calls the "non-Marxists." These are a subset of America Watchers who apparently do not give a fig about ideology. Many of them are younger analysts trained in the United States during the last dozen years; they are empiricists in the tradition of American social science. What I find most interesting about this group is the degree to which they have been captured intellectually by mainstream American social science paradigms. Like the residents of Beijing who gladly shell out more than a full day's wages for a Big Mac, these "non-Marxists" seem to have been attracted in droves by the seductive savor of "modernity." Ironically, just as few Chinese really like American food, Chinese Marxists and non-Marxists alike tend to be very critical of American society and politics.

Like most American analysts, Shambaugh is deeply troubled by the volatility of US-China relations, which he largely blames on a "perception gap" characterized by "cognitive dissonance, wishful thinking, stereotypical imagery, misinformation, and misperception" (p. 302). Critical of both countries' outmoded understanding of each other, he hopes that more accurate mutual perceptions will somehow contribute toward a "proper equilibrium" between the two countries. One cannot help observing that the problems in Sino-American relations are rooted more in substantive disagreements over real issues than they are in misperceptions and misunderstandings.

HARDING, too, is disturbed by Sino-American misunderstanding, but in *A Fragile Relationship* he employs the language of interests more than that of perceptions. Harding's thoughtful recapitulation of US-China relations since 1972 approaches the detail of a stenographic report as he discusses the last few years. Unfortunately, although the detail is useful and illuminating, he offers us too few themes or interpretive propositions and, with rare exceptions, he speaks in such muted tones that one strains to hear the author's own voice. (One such exception is when he brands the mid-80's myth that China had abandoned Marxism and "was going capitalist" as a conservative, not a liberal, fantasy.)

Abandoning the cautious optimism of *China and Northeast Asia,* Harding now sees US-China relations as a hothouse plant, one so inherently fragile that without careful nurture in controlled conditions, it might wither and die. He asserts that the conditions that facilitated the normalization of US-China relations in the early 1970's, in particular parallel anxiety vis-à-vis the So-

[3] "China and Japan: Politics Versus Economics," in Whiting, Ed., op. cit., pp. 39–51.

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viet Union, are long since gone and that the attempt to reconstruct the relationship in the mid-1980's on a foundation of mutual economic interest were derailed by the Tiananmen shock of 1989. Therefore, in order to avoid a further erosion of Sino-American relations, which would be to no one's advantage, Harding argues that it is necessary to reconceptualize and reconstruct the relationship. Although I agree with Harding, I believe such a reconceptualization and reconstruction will not be possible unless one adopts a somewhat more critical perspective on the earlier periods than Harding is inclined to do.

In discussing the strategic connection that was Henry Kissinger's major contribution to US-China relations, Harding, like most analysts, fails to distinguish adequately between two very different forms of US-China security cooperation. The first form, a rather metaphysical variety embodied in the 1970's concept of Sino-American strategic cooperation, was one element in the secular theology of the late cold war. But there was little substance to this aspect of the relationship. Employing the suggestive language that certain writers favored, one may say that the Sino-American strategic alignment was like an epistolary relationship in which the would-be lovers proclaim their great passion. However, when they actually meet they merely hold hands and exchange a few light pecks on the cheek. The other form was the much more prosaic and concrete cooperation embodied in military exchanges, technology transfer, arms sales, etc., that developed mostly in the 1980's—important but emotionally unsatisfying activities that exposed each partner to the bureaucratic warts and political blemishes of the other.

It was the first, or metaphysical, concept of strategic cooperation that underlay the decision to treat China, contrary to the evidence, as a global power. This tendency, which reached its acme during the late Carter period under the aegis of Zbigniew Brzezinski and his NSC China specialist Michel Oksenberg, was a continuation of Franklin Roosevelt's World War II desire to treat China as one of the world's Great Powers. In other words, one is dealing here with a recurrent and persistent American delusion.

To his credit, Harding is not much given to fantasy. He neither exaggerates nor underestimates the importance of Sino-American relations, and he realizes that there is no substitute for the hard work of finding mutually acceptable arrangements concerning the contentious issues of arms sales, technology transfer, trade, human rights, Taiwan, Tibet, and so forth that form the agenda of US-China relations. His policy prescription is similarly sensible if not exactly inspirational: avoid excessive expectations, but do not neglect China; neither confront nor embrace China; anticipate uncertainty with respect to Chinese domestic politics; and invoke realism while striving for a truly normal Sino-American relationship that comprises both cooperative and conflictual elements. This injunction, the functional equivalent of taking two aspirins and getting a good night's sleep, is bound to disappoint readers who were hoping the doctor would prescribe either morphine or valium. Nevertheless, it is excellent advice.

HARDING'S caution may be excessive, however, in paying too little heed to the prospects for significant political change inside China. Although it would be foolish to expect the imminent collapse of Chinese communism on the model of either Eastern Europe or the Soviet Union, no longer does the system seem immutable or eternal. One cannot assume that American officials (or scholars) will necessarily be dealing with a similar cast of characters in China once the last of the old revolutionary tigers passes on. Even if it is only the privileged children of these elders who assume control, their life experience, outlooks, and values may be sufficiently different to engender greater changes in US-China relations than Harding's current focus envisions. More than that, one must begin to consider very seriously the global implications of the rule of a modern-minded, nationalist elite who regard the Marxist-Leninist beliefs of their elders as outmoded, but who share their parents' passionate conviction about the greatness of their country and the legitimacy of its aspirations to be a true world power.

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